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World Financial Markets

Morgan Guaranty Trust Company of New York

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Table 1

New international credits and bonds

billions of dollars

	1982	1983
By market		
Eurocurrency bank credits	84.91	73.90
International bond issues	78.04	75.67
Eurobond issues	51.64	48.48
Foreign bond issues	26.40	27.19
Switzerland	11.43	14.10
United States	5.95	4.40
Japan	3.42	3.79
Germany	2.95	2.61
Others	2.65	2.29
By country of borrower		
Industrial countries	105.46	98.13
Europe	62.51	47.95
United States	21.05	20.25
Canada	15.82	8.44
Japan	8.40	14.33
Others	17.24	7.16
Developing countries	46.59	35.47
Latin America	29.20	15.38
Asia	10.55	11.04
Middle East and Africa	6.84	9.05
Centrally planned countries	.83	1.29
International organizations	10.06	14.68
Total	162.95	149.57

International credit markets in 1983

The main purpose of this issue is to provide statistical data on international bond issues, Eurocurrency bank credits, Eurocurrency market size, Eurocurrency deposit rates, and nominal and real effective exchange rates for the period from 1976 to 1983. The tables containing these data are preceded by a brief commentary on several developments in the international credit markets during the past year.

International credit flows slowed last year. Publicized gross new medium-term Eurocurrency bank credits and new international bond issues declined to less than $150 billion in 1983 from $163 billion in 1982 (see Table 1).

Most of this overall decline occurred in Eurocurrency bank credits, which fell from nearly $85 billion in 1982 to approximately $74 billion last year. New-issue volume in international bond markets slid from $78 billion to less than $76 billion in 1983. This was the first time since 1976 that gross new borrowing in international bonds exceeded medium-term Eurocurrency bank credits.

The data on new international bond issues include all publicly announced Eurobond and foreign bond issues with original maturity of three years or more, whether publicly or privately placed, except those placed directly with a central bank or government. The data on new medium-term Eurocurrency bank credits include all publicly announced Eurocurrency loans with an original maturity of more than one year. Not included in the bank credit figures are new medium-term domestic currency bank loans to foreigners, a type of bank credit that corresponds to the foreign bond component of the international bond market. There were $7.5 billion of publicized domestic currency bank loans to foreigners in 1983 (see Table 2). These are loans denominated in the currency of the country in which the lending banks are resident, as opposed to Eurocurrency credits for which, by definition, the currencies are foreign to the country in which the lending banks reside.

Both the international bond and Eurocurrency credit data are reported on a gross basis, that is, they do not reflect repayments of existing bonds and credits. Therefore, these data are not a measure of net flows of funds. Moreover, in the case of the credits, not all of the new loan facilities are necessarily utilized at the time they are announced; some credits are in the form of standby

Table 2

New foreign bank credits, 1983

domestic-currency bank credits to foreign borrowers
billions of dollars

Industrial countries	3.22
Denmark	.59
France	.38
Italy	.35
Spain	.34
Norway	.17
Belgium	.17
Greece	.16
Iceland	.15
Sweden	.14
Australia	.13
Finland	.12
Canada	.12
Developing countries	2.75
Korea	.57
Indonesia	.57
Nigeria	.53
Malaysia	.37
Thailand	.13
India	.10
Centrally planned countries	.06
International organizations	1.47
Total	7.49

facilities or committed credit lines that may be only partially utilized or perhaps never drawn upon.

Actual net flows of funds through the Eurocurrency bank market can be gauged by changes in the size of that market, which is measured by the amount of outstanding foreign currency assets or liabilities of banks in major market centers. As shown in Table 8 on page 9, the overall size of the Eurocurrency market, including all interbank liabilities, leveled out in the first half of 1983 at around $2.06 trillion. This marked the first significant break in the steady growth of this market since its inception in the early 1960s. It expanded 20% to 30% annually during the 1970s and the early 1980s, slowing to about a 10% rate in 1982. Preliminary data, however, suggest a resumption of modest growth in the third quarter. The absence of an increase in the overall market size in the first half of 1983 reflected a contraction of interbank liabilities. The so-called net market size, which excludes interbank liabilities within the market area, advanced by nearly $15 billion to $945 billion in the first half of 1983, or by less than 1½%.

Major borrowers

LDC debt problems led to considerable restraint by lenders and investors and were important factors in slowing the volume of new international bonds and credits last year. As shown in Table 1, developing countries raised $35.5 billion in the international markets in 1983. This is a decline of more than $11 billion, or nearly 24%, from the level of their borrowings in 1982, and the lowest total for this group of countries since 1977. The entire $11 billion decline was attributed to Latin American countries; LDCs in the Asian and in the Middle East and African regions increased their borrowings.

LDCs raised only $2.5 billion in international bond markets in 1983, most of it by Asian countries. The total is less than half of the new-issue amount in 1982, when several Latin American countries still had access to the bond markets. Moreover, most of the new issues by developing countries during 1983 were in the form of floating rate notes, the bulk of which are believed to have been acquired by banks. Nonbank investors' long-standing reluctance to purchase LDC paper was accentuated by the general concern about the financial situation of this group of countries.

Most external borrowing by developing countries was in the form of new medium-term Eurocurrency bank credits, which amounted to $33 billion last year compared with $41.5 billion in 1982. Almost half of last year's total consisted of special new-money loans arranged in conjunction with debt reschedulings and IMF-supported adjustment programs. If these special new-money loans are excluded from the totals, the amount of so-called spontaneous, or regular, market loans to LDC borrowers shrank to $17.6 billion last year, nearly $24 billion below the comparable figure for 1982.

The total amount of new funds raised by Latin American borrowers in international markets was nearly halved from $29.2 billion in 1982 to $15.4 billion in 1983. Only about $1.5 billion or less than 10% of the total were regular market transactions as opposed to the new-money portions of special financial packages that also included debt reschedulings. Among the major Latin borrowers, only Argentina and Chile arranged a larger amount of new credits in 1983 than in the previous year (see Table 3). The largest reductions in new borrowings were for Venezuela, Mexico, and Brazil.

Table 3

New international borrowing by country of borrower

Eurocurrency bank credits and international bond issues billions of dollars

	1982	1983
Industrial countries	105.56	98.13
United States	21.05	20.25
Japan	8.40	14.33
Canada	15.82	8.44
France	14.16	8.16
Sweden	3.13	6.94
Australia	6.97	5.34
Italy	5.87	4.50
Spain	2.60	4.46
Denmark	2.06	3.31
United Kingdom	2.84	2.69
Belgium	1.38	2.03
Ireland	1.03	1.72
Norway	2.60	1.63
South Africa	1.85	1.30
Austria	2.07	1.26
Switzerland	.55	1.20
Finland	1.45	1.14
Greece	.77	1.13
Netherlands	.99	1.02
Developing countries	46.59	35.47
Mexico	9.87	5.14
Brazil	5.81	4.48
Korea	3.10	3.80
Algeria	.03	1.96
Nigeria	2.04	1.85
Indonesia	1.73	1.83
Malaysia	2.72	1.78
Argentina	1.57	1.75
Chile	1.19	1.32
Turkey	.28	1.08
United Arab Emirates	.11	.90
India	.51	.87
Philippines	.69	.82
Thailand	.33	.60
Taiwan	.40	.58
Peru	1.07	.50
Non-OPEC countries	32.77	27.49
OPEC countries	13.82	7.98
Centrally planned countries	.83	1.29
Hungary	.34	.68
International organizations	10.06	14.68
Total	162.95	149.57

Developing countries in Asia increased their total new borrowings by nearly 5% to more than $11 billion last year. Among the principal borrowing countries in this region, only Malaysia reduced its takings. Korea raised its gross new borrowing to $3.8 billion from $3.1 billion in 1982. However, the pace of lending to the region slowed noticeably in the latter part of the year as lenders became more cautious in the wake of the Philippines' debt-servicing problems and the uncertainties regarding the financing arrangements for several major Latin American countries. Total borrowing by developing countries in the Middle East and African area rose considerably last year, reflecting increased borrowing by the United Arab Emirates and by Algeria and Turkey, two countries that had been virtually absent from international credit markets for several years.

Industrial-country borrowers continued to dominate the international credit markets in 1983, accounting for close to two-thirds of the total amount raised. Nonetheless, their borrowings declined by more than $7 billion, or about 7%, to $98 billion last year. Part of this decline can be attributed to the improved current account performances of many industrial countries and the related reduction in balance-of-payments financing. The combined current account deficits of industrial countries other than the United States fell from $51 billion in 1982 to only about $22 billion in 1983. The relatively slow pace of economic activity outside North America also held down credit demand from many industrial countries. Governments of a number of countries, however, continued to tap the international markets to finance part of their large budget deficits.

U.S. companies were again the largest group of borrowers among industrial countries in the international markets last year, raising $12.9 billion through medium-term Eurocurrency bank credits and $7.4 billion via new issues of bonds and notes. The $20.3 billion total was only slightly below the previous year's takings. The U.S. government did not borrow in the international markets in either 1982 or 1983. Japan ranked second in total borrowings in 1983, as its total jumped from $8.4 billion in 1982 to $14.3 billion last year. Almost all this borrowing took place in the international bond markets, as Japanese companies took advantage of the relatively low coupons on issues in the Swiss franc and German mark sectors as well as the appetite of international investors for equity-linked obligations. Japanese banks were particularly heavy borrowers, raising more than $4.7 billion to fund part of their international term lending. Sweden more than doubled its borrowings in the international markets last year to almost $7 billion, making the country the fifth largest borrower in 1983.

Although both Canada and France remained among the largest borrowers in 1983, the total amounts they raised fell by $7.4 billion and $6 billion, respectively, from record levels in 1982. The narrowing of interest rate differentials between the domestic and external markets as well as the absence of large-scale financings for corporate takeovers contributed to the reduced level of Canadian borrowing. Dramatic improvement in the French current account balance during 1983 as well as reduced pressure on the franc following the March EMS realignment lessened the need for foreign currency borrowing by France last year. Similar factors contributed to a decline in the use of international credit markets by Italian entities in 1983.

Eastern European countries raised only about $1.2 billion in the inter-

Table 4

International bond issues

by currency of denomination
billions of dollars and percent of total

	1982		1983	
	$	%	$	%
U.S. dollar	49.9	63.9	42.8	56.6
Swiss franc	11.4	14.6	14.1	18.6
German mark	5.5	7.1	6.4	8.4
Japanese yen	3.8	4.9	4.0	5.3
British pound	1.9	2.5	2.4	3.2
Dutch guilder	1.7	2.2	1.8	2.4
Canadian dollar	1.2	1.5	1.0	1.4
European composite units	2.0	2.5	2.1	2.8
Others	.7	0.8	1.0	1.3
Total	78.0	100.0	75.7	100.0

national markets last year. Most of this total went to Hungary and East Germany, with the latter's borrowing guaranteed by the West German government. Banks remain very hesitant to enter into new medium-term commitments to most of the countries in this area. Lending is generally confined to small loans by individual banks, mostly of a short-term, trade-related nature.

Overlapping markets

Last year saw further evidence of the close connections between the Eurocurrency bank credit and international bond markets, both in terms of instruments and participants. For example, floating rates, which have long dominated Eurocurrency bank lending, again figured prominently in new-issue activity in international bond markets last year. Floating rate instruments — notes and bonds as well as medium-term CDs — accounted for $17.8 billion, or 23%, of total new-issue volume in 1983. Also a number of borrowers utilized interest rate swaps to convert fixed rate obligations into floating rate liabilities and vice versa.

Commercial banks were active in international bond markets as both borrowers and investors. Banks based in major market centers raised nearly $13 billion through the issuance of international bonds, notes, and medium-term CDs last year. Banks were adding to their capital bases as well as securing medium-term funding for their international lending activity. The latter was a particularly important consideration for Japanese and other nondollar-based banks. Commercial banks were also among the principal investors in floating-rate note issues, reportedly acquiring up to three-quarters of many individual offerings. Some banks regard the acquisition of floating rate notes as an alternative to participating in syndicated credits led by other banks. Although the spreads may be slightly lower on floating rate notes than on medium-term loans, at least for obligations of certain highly rated borrowers, some banks evidently are attracted by the marketability of the notes. Another attraction may be the preferential treatment that has been accorded to holders of notes in several debt reschedulings. In general, publicly held notes and bonds issued by the governments and agencies of countries experiencing debt problems in recent years have been excluded from reschedulings and serviced on schedule. Borrowers likewise view the floating rate note as an alternative to a syndicated bank credit, with several issuers able to raise very large amounts on favorable terms.

Currencies

The dollar remained the predominant vehicle currency in the international bond market last year. However, the share of dollar-denominated issues in total new-issue volume declined from nearly 64% in 1982 to less than 57% in 1983, as the amount of such issues fell from about $50 billion to less than $43 billion last year (see Table 4). In the Eurobond sector alone, the dollar's share was considerably higher at 79% in 1983, down from 85% the year before. Although the relatively high interest rates on dollar-denominated securities and the strength of the dollar undoubtedly attracted investors, these same factors may have discouraged some borrowers from incurring dollar obligations.

The amounts and percentage shares of issues denominated in other major vehicle currencies rose last year, with the exception of those in Canadian dollars. The vol-

ume of Swiss franc bonds publicly offered and privately placed in the Swiss market by foreign borrowers increased from the equivalent of $11.4 billion in 1982 to $14.1 billion last year, or from 14.6% to 18.4% of the total. Japanese borrowers accounted for nearly half of the Swiss franc volume last year, including a large portion of the more than $3 billion of Swiss franc convertibles. German mark-denominated issue volume ranked third, having risen by nearly $1 billion to $6.4 billion in 1983, even though investors hesitated from time to time to acquire DM securities given the large yield differential versus U.S. dollar bonds and periodic weakness of the mark in relation to the dollar.

The volume of yen-denominated offerings increased by only $200 million to $4 billion in 1983 or 5.3% of total new international issue volume. All but about $200 million consisted of so-called Samurai bonds — yen issues in the Japanese market by foreign borrowers. The volume of Euroyen issues, however, could expand considerably this year if the Japanese Ministry of Finance allows Japanese corporations to issue Euroyen obligations as planned and if interest payments on these bonds are exempted from withholding taxes.

The $2.4 billion of sterling-denominated international issues in 1983 represented a record for this sector of the market. Borrowers were attracted in part by the possibility of raising funds for comparatively long periods through a variety of instruments, while investors were attracted in part by the relatively liquid secondary market for sterling securities. Last year also saw nearly $2.1 billion of ECU-denominated offerings, up slightly from 1982. The ECU has clearly eclipsed the SDR as a composite unit in the bond market. In fact, there were no SDR issues in either 1982 or 1983, and only $800 million since the first one was offered in 1975.

The dollar also remains the predominant currency in the Eurocurrency market. In mid-1983 an estimated 80% of all Eurocurrency liabilities were in dollars, up marginally from the end of 1982 (see Table 8). The dollar's share has been rising steadily from its low of 72% at the end of 1979, when the dollar was very weak in relation to other major currencies. This increase in the dollar's share in recent years was largely at the expense of the German mark. By mid-1983 only 8½% of gross Eurocurrency liabilities were denominated in marks, down from more than a 17½% share at the end of 1979. The Swiss franc share has remained around 5%.

Eurocurrency market centers

One of the principal developments in the Eurocurrency market thus far in the 1980s has been the establishment of an offshore banking market in the United States with the start-up of international banking facilities (IBFs) in late 1981. By mid-1983 the liabilities of these IBFs had risen to $171 billion, making the United States the second largest market center with an 8.3% share of the total (see Table 8). This growth was pretty much in line with original expectations. Over the same period, the combined Eurocurrency liabilities of other market centers in the Western Hemisphere — Canada, the Bahamas, Cayman Islands, Panama, and the Netherlands Antilles — leveled out at around $305 billion. Eurocurrency liabilities booked in the Bahamas alone actually fell by some $18 billion. These figures indicate that while the advent of IBFs did not lead to the demise of other market centers, IBFs did take virtually all of the overall growth in Eurocurrency business booked in market centers located in American time zones.

London continues as the largest market center, with banking offices in the United Kingdom accounting for over 30% of the gross Eurocurrency liabilities, a share little changed in recent years. Among the offshore banking centers, Singapore has shown the most growth in recent years, having nearly doubled in size since the end of 1980 to $105 billion in mid-1983, or slightly more than 5% of the overall market.

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Table 5

International bond issues — by type

new issues with a maturity of three years or more, publicly offered or privately placed in the period
millions of dollars

	1976	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*
Eurobonds	**14 479**	**17 771**	**14 125**	**18 726**	**23 970**	**31 618**	**51 645**	**48 483**
By category of borrower								
U.S. companies	586	1 130	1 122	2 872	4 107	6 178	12 567	6 045
Foreign companies	5 323	7 347	4 540	7 183	9 032	12 882	13 372	16 621
State enterprises	4 138	4 667	3 291	4 524	5 839	7 496	14 650	11 247
Governments	2 239	2 936	3 643	2 433	3 045	2 629	7 683	8 495
*International organizations**	2 193	1 691	1 529	1 714	1 947	2 431	3 373	6 075
By currency of denomination								
U.S. dollar	9 276	11 627	7 290	12 565	16 427	26 830	43 959	38 406
German mark	2 713	4 131	5 251	3 626	3 607	1 277	2 588	3 776
Canadian dollar	1 407	655	—	425	279	634	1 201	1 039
Dutch guilder	502	452	394	531	1 043	529	645	735
French franc	39	—	103	342	986	533	4	—
Japanese yen	—	111	121	116	304	368	374	212
British pound	—	218	234	291	974	501	748	1 915
European composite units	99	28	165	253	65	309	1 980	2 095
Special drawing rights	—	—	32	107	39	446	—	—
Other	443	549	535	470	246	189	146	305
Foreign bonds outside the United States	**7 586**	**8 777**	**14 359**	**17 749**	**14 521**	**13 817**	**20 451**	**22 786**
By category of borrower								
U.S. companies	28	40	245	217	307	592	1 971	1 420
Foreign companies	1 654	1 421	2 110	3 463	3 157	3 384	4 376	7 872
State enterprises	2 439	2 427	3 163	3 284	2 830	3 701	5 488	4 305
Governments	1 307	2 043	5 771	7 663	4 086	2 762	3 577	3 129
*International organizations**	2 158	2 846	3 070	3 122	4 141	3 378	5 039	6 060
By currency of denomination								
Swiss franc	5 359	4 970	5 698	9 777	7 617	8 285	11 432	14 103
Japanese yen	226	1 271	3 826	1 833	1 088	2 457	3 418	3 793
German mark	1 288	2 181	3 779	5 379	4 839	1 310	2 952	2 614
Dutch guilder	597	211	385	75	259	481	956	1 085
British pound	—	—	—	—	168	746	1 214	520
Luxembourg franc	—	29	201	237	266	84	160	144
Other	116	115	470	448	284	454	319	527
Foreign bonds in the United States	**10 604**	**7 428**	**5 795**	**4 515**	**3 429**	**7 552**	**5 946**	**4 400**
By category of borrower								
*Canadian entities***	6 138	3 022	3 142	2 193	2 136	4 630	3 180	2 145
*European entities***	900	1 208	1 527	915	610	710	650	585
*International organizations**	2 275	1 917	459	1 100	550	1 375	1 700	1 220
Other	1 291	1 281	667	307	133	837	416	450
Total	**32 669**	**33 976**	**34 279**	**40 990**	**41 920**	**52 985**	**78 042**	**75 669**

*Includes regional development organizations.
**Includes private companies, state enterprises, and government borrowers.

Table 6

International bond issues — by country of borrower

new issues with a maturity of three years or more, publicly offered or privately placed in the period
millions of dollars

	1976	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*
Industrial countries	**24 183**	**23 741**	**24 744**	**31 716**	**32 588**	**40 861**	**62 992**	**59 766**
Australia	1 081	1 074	1 218	593	539	991	2 250	2 360
Austria	682	1 384	1 027	1 218	1 859	1 557	1 668	1 261
Belgium	134	297	37	537	227	527	211	1 148
Canada	9 336	5 276	4 764	4 197	3 797	10 648	11 979	7 487
Denmark	995	796	1 018	752	1 125	695	1 269	1 719
Finland	332	358	952	699	392	672	815	861
France	2 720	1 944	1 286	2 106	2 820	3 156	8 456	6 447
Germany	374	567	174	609	455	279	1 101	3 070
Ireland	20	86	83	179	331	517	625	955
Italy	85	300	240	338	904	1 108	2 214	1 549
Japan	2 165	1 978	3 467	5 775	5 309	6 928	8 397	13 917
Netherlands	455	681	251	832	1 585	630	894	946
New Zealand	497	567	744	553	293	1 107	1 375	455
Norway	1 406	1 888	2 751	1 955	892	530	832	664
Portugal	—	50	—	—	50	30	206	76
South Africa	76	33	400	235	363	92	374	543
Spain	244	376	319	433	426	444	747	1 443
Sweden	1 111	1 574	876	1 530	3 244	2 050	2 479	3 751
United Kingdom	1 067	1 915	1 365	1 181	1 733	1 408	1 201	1 386
United States	493	1 354	2 973	6 767	5 587	6 770	14 538	7 389
Yugoslavia	71	120	141	96	37	—	—	—
*Other**	839	1 123	658	1 131	620	722	1 361	2 339
Developing countries	**1 789**	**3 533**	**4 447**	**3 263**	**2 629**	**4 886**	**5 073**	**2 473**
Latin American countries	**744**	**2 545**	**2 620**	**2 091**	**1 988**	**3 658**	**2 480**	**71**
Argentina	—	43	253	517	260	195	—	—
Brazil	268	732	843	930	349	60	91	—
Chile	—	—	—	82	103	30	—	—
Colombia	—	—	—	—	75	20	35	—
Ecuador	—	8	—	—	100	—	—	—
Mexico	448	1 282	568	363	544	3 012	1 919	—
Panama	14	27	211	111	25	25	—	21
Peru	—	—	—	—	—	35	—	—
Venezuela	—	438	588	55	398	291	385	—
*Other***	14	15	157	33	134	—	50	50
Asian countries	**659**	**549**	**667**	**702**	**429**	**1 068**	**2 145**	**2 190**
Hong Kong	—	129	—	—	30	70	40	50
India	—	—	30	45	65	271	225	60
Indonesia	—	—	102	85	45	97	482	328
Korea	59	69	65	44	68	323	172	556
Malaysia	10	43	141	151	—	—	807	831
Philippines	385	129	170	175	70	99	50	—
Singapore	205	154	70	25	—	30	125	70
Thailand	—	—	69	177	86	93	63	255
Other	—	25	20	—	65	85	181	40
Middle Eastern and African countries	**386**	**439**	**1 160**	**470**	**212**	**160**	**448**	**212**
Algeria	109	167	721	208	—	—	—	—
Egypt	—	—	—	—	30	—	75	—
Israel	119	111	220	170	144	117	200	135
Ivory Coast	10	—	—	—	14	—	—	—
Morocco	44	28	61	22	24	—	—	—
United Arab Emirates	—	42	—	20	—	—	20	—
Other	104	91	158	50	—	43	153	77
Centrally planned countries	**71**	**248**	**30**	**75**	**65**	**75**	**65**	**75**
China	—	—	—	—	—	—	65	50
Hungary	—	174	—	—	65	20	—	—
Poland	71	74	30	56	—	—	—	—
*Other****	—	—	—	19	—	55	—	25
International organizations****	**6 626**	**6 454**	**5 058**	**5 936**	**6 638**	**7 163**	**9 912**	**13 355**
Total	**32 669**	**33 976**	**34 279**	**40 990**	**41 920**	**52 985**	**78 042**	**75 669**

*Includes multinational organizations.
**Includes unallocated.
***Includes COMECON institutions.
****Includes regional development organizations.

Table 7

Eurocurrency bank credits — by country of borrower

credits with a maturity of one year or more, publicly announced in period
millions of dollars

	1976	*1977*	*1978*	*1979*	*1980*	*1981*	*1982*	*1983*
Industrial countries	**11 255**	**17 206**	**28 950**	**27 248**	**39 100**	**86 022**	**42 471**	**38 367**
Australia	12	360	212	941	2 475	1 680	4 721	2 979
Belgium	—	—	40	1 000	2 833	360	1 172	883
Canada	885	3 292	5 705	1 845	1 743	4 112	3 838	958
Denmark	607	868	2 242	1 205	1 720	1 661	789	1 586
Finland	300	314	550	92	1 040	463	631	283
France	587	2 325	1 915	2 955	1 745	3 912	5 703	1 708
Greece	323	204	509	1 010	1 333	1 039	770	1 085
Ireland	434	440	616	687	237	1 361	401	765
Italy	355	1 024	2 485	3 708	6 268	6 030	3 657	2 950
New Zealand	—	538	480	540	675	476	3 411	70
Norway	473	182	1 517	935	685	713	1 769	970
Portugal	50	122	677	887	745	1 590	1 388	849
South Africa	650	—	150	52	388	287	1 479	752
Spain	2 037	1 973	2 426	4 184	5 457	3 242	1 849	3 013
Sweden	440	1 446	1 872	1 263	1 370	1 867	649	3 188
United Kingdom	1 671	1 992	3 899	795	1 470	747	1 635	1 304
United States	677	826	1 206	2 348	6 719	54 784	6 516	12 862
Yugoslavia	125	488	962	2 086	1 359	684	719	615
*Other**	1 629	812	1 487	715	838	1 014	1 374	1 547
Developing countries	**15 017**	**20 976**	**37 302**	**47 964**	**35 054**	**45 264**	**41 519**	**32 999**
Latin American countries	**8 664**	**9 917**	**21 332**	**28 077**	**24 103**	**30 152**	**26 719**	**15 309**
Argentina	958	849	1 461	2 965	2 506	2 534	1 565	1 750
Brazil	3 232	2 814	5 634	6 278	4 158	5 751	5 716	4 475
Chile	208	591	1 045	867	1 322	2 204	1 194	1 319
Colombia	110	43	882	754	608	1 030	741	459
Ecuador	87	385	952	593	1 209	934	815	431
Mexico	1 993	2 727	7 250	8 243	5 971	7 530	7 953	5 138
Panama	152	147	553	155	385	255	378	413
Peru	395	189	—	596	480	1 407	1 069	500
Venezuela	1 185	1 666	2 054	6 830	6 715	7 559	6 799	237
*Other***	344	506	1 501	796	749	948	489	587
Asian countries	**2 830**	**4 277**	**7 921**	**10 551**	**7 142**	**10 288**	**8 403**	**8 849**
Hong Kong	85	408	390	680	407	664	33	—
India	—	50	75	50	771	377	284	809
Indonesia	470	817	1 118	1 061	1 435	725	1 250	1 497
Korea	738	1 265	2 651	3 258	1 917	2 824	2 923	3 245
Malaysia	207	212	858	1 168	—	1 725	1 909	950
Pakistan	—	27	76	214	300	350	455	365
Philippines	970	698	2 073	2 067	1 056	1 257	635	815
Thailand	100	140	192	543	676	692	268	349
Other	260	660	488	1 510	580	1 674	646	819
Middle Eastern and African countries	**3 523**	**6 782**	**8 049**	**9 336**	**3 809**	**4 824**	**6 397**	**8 841**
Algeria	643	723	2 576	1 906	40	—	28	1 964
Egypt	108	250	60	19	203	63	353	300
Ivory Coast	155	265	73	435	135	499	434	30
Morocco	641	797	605	500	420	774	326	294
Nigeria	—	1 000	825	1 373	1 330	1 802	2 042	1 853
Turkey	170	34	100	3 036	—	100	277	1 078
United Arab Emirates	55	1 086	726	401	101	363	93	901
Other	1 751	2 627	3 084	1 666	1 580	1 223	2 846	2 421
Centrally planned countries	**2 503**	**3 394**	**3 767**	**7 325**	**2 809**	**1 791**	**765**	**1 212**
China	—	—	—	3 395	181	370	43	10
East Germany	215	832	642	796	303	470	8	392
Hungary	300	300	700	260	550	550	340	683
Poland	525	19	374	849	800	—	—	—
Soviet Union	282	234	650	—	—	25	374	68
*Other****	1 181	2 009	1 401	2 025	975	376	—	59
International organizations***	**74**	**190**	**160**	**275**	**429**	**302**	**150**	**1 321**
Total	**28 849**	**41 766**	**70 179**	**82 812**	**77 392**	**133 379**	**84 905**	**73 899**

*Includes multinational organizations.
**Includes unallocated.
***Includes COMECON institutions.
****Includes regional development organizations.

Table 8

Eurocurrency market size

measured by foreign-currency liabilities at end of period, billions of dollars

	1976	1977	1978	1979	1980	1981	1982	June 1983
By market center:								
European centers	**406**	**511**	**656**	**867**	**1 045**	**1 202**	**1 273**	**1 239**
United Kingdom	201	232	290	385	485	590	636	635
France	50	64	80	101	124	134	140	127
Luxembourg	34	46	55	76	84	82	83	79
Belgium	20	22	37	48	62	73	72	74
Netherlands	21	27	38	47	55	57	55	52
Italy	17	23	30	37	46	49	43	37
Switzerland	17	20	30	34	35	35	34	34
Austria	—	10	13	18	23	23	25	25
Germany	14	16	21	25	25	26	24	23
Spain	7	9	12	17	21	24	19	17
Sweden	3	4	5	8	11	13	13	14
Denmark	—	2	2	3	3	4	4	4
Ireland	—	2	2	2	4	4	4	4
Unallocated	22	34	41	66	67	88	121	114
*United States**	—	—	—	—	—	46	147	171
Japan	35	36	48	61	100	123	124	126
Canada	21	25	33	40	54	66	65	67
Offshore banking centers	**133**	**168**	**212**	**265**	**325**	**424**	**448**	**453**
Bahamas	79	90	105	112	126	150	132	137
Singapore	17	21	27	38	54	86	103	105
Bahrain	6	16	23	29	38	51	59	57
Hong Kong	6	8	16	21	32	43	53	54
*Cayman Islands***	12	16	18	27	33	42	47	46
Panama	11	15	20	33	35	42	43	43
Netherlands Antilles	2	2	3	5	7	10	11	11
By currency of denomination:								
U.S. dollar	476	562	703	887	1 138	1 446	1 633	1 641
German mark	70	104	141	193	190	184	189	175
Swiss franc	24	35	43	62	83	110	100	98
Japanese yen	2	4	9	15	17	24	27	29
British pound	6	10	15	23	36	30	26	25
French franc	5	7	11	17	22	17	18	20
Dutch guilder	5	8	11	13	12	14	17	20
*Other currencies****	7	10	16	23	26	36	47	48
By type of entity:								
Nonbanks	109	135	174	245	327	428	474	489
Official monetary institutions	80	100	115	145	150	132	90	84
*Other banks****	406	505	660	843	1 047	1 301	1 493	1 483
Gross market size	**595**	**740**	**949**	**1 233**	**1 524**	**1 861**	**2 057**	**2 056**
Interbank liabilities within market area	**281**	**361**	**471**	**655**	**819**	**1 002**	**1 125**	**1 111**
Net market size	**314**	**379**	**478**	**578**	**705**	**859**	**932**	**945**

*International banking facilities only.
**U.S. bank branches only.
***Includes unallocated.

Table 9

Eurocurrency deposit rates

prime banks' bid rates,* at or near end of month

	Eurodollar		Euro-Canadian dollar		Euroyen		Euro-French franc		Euromark		Eurosterling		Euro-Dutch guilder		Euro-Swiss franc	
	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.
1976																
January	5.25	5.88	9.05	8.75	5.06	6.22	8.00	8.25	3.69	4.00	10.50	10.62	4.75	4.87	1.12	2.25
February	5.56	6.31	9.65	9.18	5.31	6.34	10.25	10.25	3.62	3.87	9.25	10.00	2.75	3.50	1.69	2.44
March	5.50	6.19	10.27	10.25	6.19	7.02	11.00	11.00	3.19	3.69	9.87	10.50	3.00	3.62	1.44	2.31
April	5.38	5.94	9.74	9.50	5.06	6.03	9.75	11.12	3.31	3.56	10.75	11.12	3.37	4.00	1.19	1.94
May	6.50	7.25	9.70	9.75	6.94	8.27	9.75	10.34	3.75	4.31	12.25	12.62	5.00	5.37	1.75	2.56
June	6.00	6.81	9.33	9.50	6.06	7.46	9.37	10.37	4.19	4.75	14.37	13.75	7.87	7.87	1.06	1.75
July	5.63	6.50	9.19	9.38	6.25	7.36	10.12	10.12	4.31	4.87	12.62	12.75	8.75	9.00	1.56	2.25
August	5.56	6.06	9.87	9.50	5.94	6.86	10.25	11.00	4.37	4.94	13.37	13.75	13.50	11.37	1.19	2.00
September	5.75	6.13	9.58	8.38	6.56	7.09	12.00	11.75	4.62	5.12	16.25	16.50	13.75	11.75	2.25	2.37
October	5.31	5.75	9.32	9.13	6.06	6.92	12.50	12.75	4.50	4.75	20.75	20.00	8.75	8.50	1.94	2.25
November	5.13	5.31	8.73	8.88	6.69	6.22	12.00	12.12	4.62	4.69	16.25	16.25	7.12	6.87	2.37	2.56
December	5.00	5.38	8.22	8.13	6.62	6.44	12.62	12.62	4.69	4.75	16.12	14.75	6.25	6.25	1.44	2.12
1977																
January	5.25	5.81	8.41	8.25	5.94	6.81	11.87	12.37	4.50	4.75	13.00	12.25	6.50	6.62	1.37	1.75
February	5.13	5.63	7.82	7.88	5.62	6.37	11.12	11.75	4.56	4.69	13.00	13.25	5.50	5.75	2.50	2.75
March	5.19	5.56	7.72	7.38	6.44	6.75	10.37	11.00	4.44	4.50	9.50	10.12	5.87	5.87	3.06	3.31
April	5.25	5.44	7.83	7.38	5.37	5.87	9.75	9.87	4.31	4.44	8.87	9.50	4.12	4.75	3.12	3.37
May	6.06	6.31	7.18	7.00	5.62	5.94	10.50	10.62	3.94	4.12	11.75	11.00	3.00	4.00	4.00	4.37
June	5.75	6.06	7.32	7.00	5.87	6.25	9.25	9.37	3.87	4.00	8.62	9.62	3.25	4.50	3.25	3.62
July	6.25	6.50	7.22	7.38	6.00	6.25	11.87	11.75	3.81	3.94	8.50	9.50	2.75	4.00	2.75	3.31
August	6.25	6.50	7.74	7.88	5.06	5.56	10.25	10.87	3.87	3.94	7.37	7.87	3.87	4.44	2.12	2.75
September	6.87	7.12	7.22	7.00	4.00	4.81	8.87	10.00	3.94	4.00	6.37	6.87	4.62	5.12	2.50	2.75
October	7.19	7.37	7.58	7.38	4.00	4.31	10.25	10.87	3.94	3.94	5.12	5.87	4.62	5.00	2.00	2.31
November	6.88	7.25	7.53	7.44	0.81	2.44	13.62	13.62	4.06	4.06	7.37	8.06	6.12	6.31	2.75	2.75
December	7.19	7.50	7.10	7.13	1.81	2.75	13.25	14.00	2.50	2.81	6.62	7.12	5.87	5.87	1.37	1.87
1978																
January	7.25	7.62	7.15	7.63	2.94	3.31	13.25	13.37	2.94	3.00	6.75	7.25	4.69	4.62	0.75	1.37
February	7.19	7.62	7.49	7.50	2.50	3.25	12.87	12.00	3.19	3.19	7.69	8.12	5.25	5.12	0.31	0.50
March	7.50	7.81	7.98	7.88	1.19	2.56	8.87	9.37	3.31	3.31	7.37	8.00	4.75	4.75	0.56	0.81
April	7.62	7.87	8.11	8.19	2.12	2.87	9.37	9.75	3.31	3.44	10.12	10.37	4.44	4.56	0.87	1.19
May	8.00	8.44	8.35	8.00	2.69	3.31	9.25	9.75	3.44	3.56	10.56	11.12	4.75	5.12	1.31	1.62
June	8.69	9.19	8.29	8.50	2.94	3.62	10.00	10.37	3.37	3.50	11.37	12.00	4.37	5.12	1.50	1.94
July	8.50	8.81	8.07	8.88	1.56	2.31	9.12	9.87	3.50	3.75	10.87	11.25	5.75	6.37	1.69	2.00
August	8.87	9.25	9.30	9.13	2.50	2.81	8.87	9.37	3.44	3.62	11.37	11.75	5.50	5.87	0.69	1.06
September	9.44	9.69	9.66	9.44	2.81	3.12	10.25	10.25	3.56	3.62	12.75	13.00	10.50	10.50	0.94	1.06
October	11.37	11.87	10.32	10.06	2.44	3.31	8.75	10.00	3.50	3.56	11.87	12.62	9.50	8.62	0.12	0.31
November	11.56	11.87	10.81	10.56	0.31	2.37	9.19	9.31	3.69	3.94	13.50	14.06	9.81	9.25	0.31	0.56
December	11.69	12.31	11.09	10.94	0.62	1.87	9.87	9.87	3.31	3.69	12.62	13.25	9.50	9.00	0.00	0.12
1979																
January	10.31	10.56	11.18	10.75	2.56	3.12	7.94	8.50	3.81	4.12	13.25	13.25	7.37	7.06	0.25	0.31
February	10.50	10.94	11.00	10.81	3.44	4.00	7.75	8.62	3.94	4.19	12.44	11.87	7.00	7.00	0.12	0.37
March	10.50	10.56	11.27	10.94	6.00	5.56	8.12	8.75	4.94	5.37	12.12	11.75	6.87	7.00	0.37	0.87
April	10.75	11.06	11.40	10.69	4.94	5.56	8.25	8.62	5.44	5.87	11.69	11.19	7.44	7.75	1.56	2.50
May	10.44	10.62	11.21	10.75	5.25	5.69	11.37	11.50	6.12	6.75	11.75	11.56	8.87	9.25	1.94	2.75
June	10.50	10.50	11.13	10.63	5.75	6.06	11.00	11.37	6.19	6.62	14.00	13.44	8.31	9.06	0.19	1.81
July	11.31	11.12	11.54	11.06	6.00	6.37	12.06	12.50	6.50	6.94	14.75	14.12	9.25	9.87	1.44	2.31
August	12.12	12.12	12.12	11.94	7.00	7.00	12.44	12.94	7.44	7.62	14.25	14.25	9.44	9.31	2.00	2.69
September	12.75	12.75	12.22	11.87	7.31	7.19	13.25	13.37	7.44	7.50	14.06	14.06	9.50	9.37	1.75	2.00
October	15.69	15.31	14.58	14.25	7.94	8.06	14.00	14.00	8.94	8.87	15.12	15.00	9.81	10.00	4.00	4.50
November	14.00	13.94	13.01	13.25	8.75	8.44	13.62	13.62	8.81	8.62	16.50	16.25	13.25	12.00	4.50	4.62
December	14.44	14.44	13.93	13.50	8.31	8.62	14.00	14.12	8.56	8.56	16.75	16.75	12.25	11.50	5.75	5.87

*Offer rates are generally .125% above bid rates.

Table 9 — continued

Eurocurrency deposit rates

prime banks' bid rates,* at or near end of month

	Eurodollar		Euro-Canadian dollar		Euroyen		Euro-French franc		Euromark		Eurosterling		Euro-Dutch guilder		Euro-Swiss franc	
	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.	3-mos.	6-mos.
1980																
January	14.37	14.37	13.92	13.56	8.25	8.25	12.81	13.37	8.37	8.44	18.00	17.00	11.12	11.12	5.37	5.62
February	16.94	17.00	13.65	14.25	10.12	10.37	13.87	14.62	9.31	9.37	18.50	18.37	12.25	12.81	5.50	5.75
March	19.69	19.56	16.46	15.62	15.50	15.00	14.12	14.50	9.69	10.06	18.25	18.37	11.12	11.62	7.12	7.50
April	14.37	13.69	15.25	14.00	12.50	11.37	12.75	12.87	9.06	9.00	17.25	16.37	10.25	10.12	6.12	6.25
May	10.12	10.25	11.47	10.75	12.25	11.37	12.50	12.62	9.37	9.00	16.75	16.12	11.00	10.62	5.37	5.37
June	9.75	9.94	11.25	10.75	12.25	11.12	12.25	12.25	9.37	8.81	16.75	15.25	10.37	10.37	5.69	5.69
July	9.81	10.06	10.44	10.68	12.25	11.37	12.12	12.00	8.25	7.81	15.62	14.25	9.31	9.25	5.12	5.25
August	12.25	12.50	10.62	10.87	11.62	11.12	12.12	12.37	8.50	8.31	16.62	16.25	10.56	10.44	5.87	5.75
September	13.81	13.94	11.50	12.25	12.25	11.50	12.06	12.56	8.87	8.87	15.87	15.00	10.12	10.25	5.75	5.75
October	15.37	14.87	12.62	12.87	9.62	9.12	11.31	12.00	8.94	8.81	16.75	16.12	9.31	9.31	5.44	5.12
November	18.06	16.87	13.88	13.75	10.12	10.12	11.37	12.37	9.56	9.31	14.62	14.44	9.94	10.00	6.12	6.12
December	17.55	16.37	16.88	15.37	9.25	9.62	11.75	12.25	8.87	8.87	14.75	14.25	9.31	9.37	6.00	5.75
1981																
January	17.50	16.75	17.12	16.00	8.50	8.50	10.87	11.87	9.37	9.37	13.75	13.12	9.44	9.50	6.00	6.00
February	16.62	16.75	17.00	16.62	8.62	8.37	12.87	13.00	14.25	13.37	12.75	12.12	11.50	11.50	8.37	8.37
March	14.81	14.81	16.50	16.12	7.62	7.75	12.37	12.50	12.31	12.00	12.50	12.37	10.19	10.25	7.62	7.62
April	16.87	17.00	17.13	17.00	7.37	7.37	13.50	13.62	12.44	12.44	12.37	12.37	11.25	11.50	9.50	9.50
May	17.75	16.94	18.36	17.38	7.75	7.87	19.50	18.50	12.68	12.68	12.37	12.75	12.37	12.50	10.00	10.12
June	17.81	17.25	19.10	18.38	7.50	7.88	23.00	21.00	12.38	12.38	12.50	12.81	11.75	11.75	9.88	9.88
July	18.68	18.68	20.87	20.50	7.12	7.37	21.50	21.25	12.44	12.56	14.62	14.62	12.87	12.62	9.25	9.62
August	18.44	18.56	21.63	21.00	7.50	7.50	27.50	25.00	12.44	12.68	13.87	14.00	13.63	13.38	8.87	9.31
September	17.75	18.06	19.75	20.12	7.69	7.88	27.00	25.25	12.12	12.25	17.00	17.00	12.87	12.87	11.31	11.44
October	15.69	16.00	18.75	18.75	7.25	7.31	17.50	18.50	11.44	11.44	17.50	18.50	12.75	12.69	10.62	10.37
November	12.00	12.62	15.37	15.37	7.31	7.25	16.62	17.37	10.31	10.06	15.00	14.62	11.12	11.12	9.56	9.50
December	13.75	14.81	15.37	16.37	6.12	6.87	17.00	18.00	10.50	10.56	15.69	15.69	10.75	10.75	9.25	9.25
1982																
January	14.50	15.00	15.25	15.62	6.37	6.62	16.56	17.19	10.12	10.12	14.44	14.50	10.06	10.12	8.50	8.62
February	14.94	15.06	15.00	15.25	6.44	6.75	15.62	16.50	9.94	9.94	14.00	14.00	9.50	9.62	7.69	8.25
March	15.37	15.44	16.25	16.38	6.75	6.81	22.50	20.50	9.13	9.13	13.50	13.56	7.31	8.56	5.50	5.81
April	14.94	14.87	15.75	16.06	6.94	6.94	22.00	21.75	8.87	8.81	13.62	13.62	8.56	8.56	4.31	5.00
May	14.38	14.44	15.88	15.63	7.13	7.13	26.75	23.75	8.56	8.56	13.38	13.38	8.69	8.69	4.25	4.94
June	15.81	16.00	17.38	17.63	7.25	7.31	16.75	18.00	9.00	9.13	13.06	13.06	9.00	9.13	5.06	5.94
July	13.06	13.88	15.38	16.00	7.13	7.38	16.00	17.38	8.88	9.13	11.81	11.81	8.94	9.25	4.25	5.13
August	11.88	12.44	14.19	14.50	7.31	7.44	23.75	22.75	8.19	8.44	10.81	10.81	8.06	8.19	4.00	4.88
September	11.44	11.94	12.88	13.13	7.25	7.50	18.00	19.00	7.75	7.94	10.50	10.50	7.81	8.19	4.38	4.81
October	10.00	10.19	11.63	11.63	6.88	6.94	20.00	20.00	7.00	7.00	9.44	9.44	6.69	6.75	3.56	4.13
November	9.88	10.13	11.25	11.25	7.25	7.14	19.75	20.38	7.06	7.06	10.44	10.38	6.56	6.81	4.06	4.06
December	9.19	9.50	10.00	10.13	6.75	7.10	24.00	22.00	5.88	5.94	10.44	10.31	5.19	5.38	3.25	3.44
1983																
January	9.25	9.56	10.25	10.31	6.56	6.92	20.00	20.00	5.63	5.69	11.50	11.44	5.06	5.13	2.75	3.38
February	8.75	8.88	9.38	9.38	6.63	6.85	23.00	21.25	5.25	5.38	11.25	13.19	4.56	4.75	3.00	3.38
March	9.63	9.75	9.25	9.50	6.38	6.78	12.31	13.75	4.94	5.13	10.69	10.63	4.25	4.69	3.88	3.88
April	8.88	9.06	9.13	9.25	6.19	6.69	12.88	14.38	5.00	5.06	10.19	10.06	5.69	5.81	4.38	4.38
May	9.44	9.63	9.38	9.63	6.31	6.31	13.38	15.75	5.06	5.25	10.25	10.25	5.81	5.69	4.75	4.75
June	9.69	9.94	9.19	9.69	6.50	6.50	14.94	16.69	5.19	5.50	9.63	9.88	5.38	5.88	4.63	4.75
July	10.19	10.63	9.38	9.88	6.50	6.56	13.50	15.25	5.06	5.50	9.81	10.25	5.63	6.00	4.75	4.88
August	10.25	10.63	9.38	9.88	6.63	6.63	15.00	16.75	5.50	5.94	9.75	10.13	6.25	6.44	4.44	4.81
September	9.50	9.69	9.13	9.38	6.69	6.69	14.31	15.81	5.75	5.88	9.56	9.56	6.19	6.25	4.13	4.31
October	9.63	9.69	9.19	9.38	6.31	6.31	12.88	14.00	5.81	5.81	9.25	9.38	6.06	6.19	4.13	4.19
November	9.75	9.94	9.38	9.56	6.75	6.69	13.19	14.13	6.19	6.19	9.25	9.44	6.19	6.31	4.06	4.19
December	9.81	10.06	9.50	9.75	6.31	6.38	12.19	12.31	5.88	6.13	9.31	9.50	6.00	6.25	3.75	3.94

*Offer rates are generally .125% above bid rates.

Table 10

Nominal effective exchange rates

Index number 1980-82=100. Each index shows a currency's trade-weighted appreciation or depreciation measured against 15 other major currencies, using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Nether-lands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
1976																
January	100.2	120.4	75.5	121.5	117.9	79.6	161.5	101.8	88.9	94.9	91.7	145.3	72.9	114.5	101.4	119.1
February	99.8	122.0	76.2	121.6	119.4	81.6	147.0	101.9	89.4	95.4	91.9	135.6	74.1	114.7	101.9	119.2
March	100.5	123.3	77.0	121.8	117.9	83.4	138.5	98.8	90.0	96.8	92.1	133.3	75.6	116.0	102.6	119.9
April	101.0	123.8	77.7	121.7	117.8	85.1	130.4	94.1	91.3	98.3	92.8	134.2	77.3	118.6	104.1	120.5
May	101.1	124.4	77.9	121.8	117.1	84.4	134.8	92.2	90.8	98.3	92.3	133.8	79.0	118.8	104.6	120.8
June	101.3	125.4	78.1	121.8	116.8	84.3	137.0	90.3	90.5	97.8	92.2	133.9	80.1	118.4	104.5	120.8
July	100.9	125.4	79.2	121.9	113.8	84.5	139.3	91.4	91.0	97.8	92.6	133.7	79.5	117.7	103.8	120.2
August	100.8	123.6	80.2	121.9	110.0	85.8	138.9	90.8	92.0	99.2	93.7	133.4	79.1	118.3	104.3	120.9
September	100.1	124.9	80.9	121.9	110.5	86.7	136.6	87.2	92.7	100.0	95.6	133.4	78.9	119.2	105.2	122.0
October	100.4	125.4	79.8	122.2	108.5	88.8	134.3	81.9	93.9	102.7	97.0	133.2	79.5	120.3	106.9	124.3
November	101.1	123.8	78.8	119.8	108.1	89.3	132.5	81.9	94.3	103.3	97.8	132.8	79.6	119.6	107.4	125.1
December	101.9	119.7	79.2	104.0	107.3	89.9	131.1	83.7	94.6	104.2	98.2	132.2	78.7	119.8	107.6	125.9
1977																
January	101.3	12[illegible]	80.1	106.7	108.1	89.8	129.6	85.7	94.7	103.4	97.7	131.8	77.4	119.0	106.5	124.4
February	101.5	[illegible]	82.0	106.8	108.3	89.6	129.5	85.9	94.5	103.2	97.7	131.1	76.7	118.9	106.6	123.7
March	101.7	115.7	83.3	107.1	108.0	89.9	128.5	86.1	94.8	103.5	98.0	131.4	75.6	119.4	106.8	124.2
April	101.1	115.6	84.7	107.2	107.9	90.3	127.8	85.9	95.1	104.0	98.5	131.0	76.0	117.3	106.6	120.2
May	101.1	115.9	84.0	107.1	107.9	90.7	127.6	85.7	95.2	104.4	98.7	130.3	76.0	116.5	106.8	119.8
June	101.0	114.8	85.4	107.1	108.1	90.8	127.6	85.7	95.2	104.4	97.7	129.3	76.8	116.1	106.9	118.0
July	99.8	114.1	87.5	107.2	109.0	92.7	126.1	84.7	96.3	104.5	97.6	109.4	78.1	115.8	105.9	118.3
August	100.7	112.8	87.2	105.8	108.8	91.8	127.3	86.2	95.8	104.9	98.0	104.9	78.8	115.7	106.0	116.3
September	100.9	113.0	87.4	106.0	108.7	92.1	127.6	87.0	95.6	104.6	98.0	105.5	80.3	115.0	104.8	107.4
October	99.8	110.0	91.0	105.6	108.6	92.7	126.0	87.2	95.7	104.2	97.6	104.8	82.5	114.6	103.3	107.2
November	98.5	108.6	94.3	104.6	107.5	93.3	124.9	88.6	95.8	103.7	97.2	105.1	84.5	113.1	102.8	106.0
December	98.7	109.4	94.6	103.7	105.9	95.1	121.9	88.3	96.0	105.3	98.1	104.6	87.4	113.7	104.6	104.1
1978																
January	95.7	108.6	93.8	103.0	105.8	94.7	120.2	90.7	95.7	106.2	98.8	104.3	89.9	114.8	104.4	103.9
February	95.3	107.4	93.8	102.4	101.6	96.1	121.2	90.3	96.0	107.3	99.6	104.0	92.9	115.9	101.5	104.0
March	94.7	105.9	96.9	101.6	103.5	96.9	120.0	87.4	96.4	107.9	100.7	103.4	92.1	116.3	99.2	103.7
April	94.4	104.4	101.5	101.1	106.6	96.3	119.3	84.6	96.4	107.2	100.6	102.9	91.8	116.4	98.5	104.3
May	95.2	106.9	100.3	101.4	107.5	95.2	120.2	84.7	95.8	106.2	99.6	103.4	90.8	116.9	98.9	105.1
June	93.5	106.2	105.5	100.4	107.8	94.9	120.1	84.5	95.5	105.3	99.2	104.3	93.5	116.8	98.4	104.9
July	91.2	105.3	112.2	98.7	109.4	94.3	119.4	85.7	94.9	104.2	98.3	104.6	96.0	115.6	96.8	104.7
August	89.3	103.3	117.6	96.7	108.9	94.7	117.8	85.6	94.7	104.8	98.2	105.9	101.5	114.7	96.9	104.5
September	89.5	100.9	116.3	96.4	107.1	95.1	117.6	85.6	94.2	105.1	98.3	107.3	107.1	115.2	97.0	103.9
October	87.4	98.9	118.3	95.4	106.3	98.1	114.9	84.3	95.2	107.5	100.2	108.8	104.5	117.2	98.6	102.7
November	89.5	100.3	114.6	95.7	106.1	97.8	114.2	85.0	95.2	107.5	100.3	110.1	98.9	117.3	98.5	103.5
December	89.8	99.7	112.0	95.6	106.4	98.6	113.4	85.7	95.5	107.4	100.8	109.7	98.1	117.0	97.2	102.8
1979																
January	89.7	98.7	110.5	95.2	107.1	99.1	112.8	85.7	95.9	108.0	101.4	110.2	97.2	118.3	97.0	102.4
February	90.2	98.3	109.1	94.9	106.5	99.1	112.7	86.0	95.9	108.1	101.3	111.7	97.3	118.4	96.7	102.4
March	90.3	100.2	106.0	94.5	106.3	99.1	112.7	87.7	95.8	107.5	101.3	112.3	97.0	117.4	96.9	102.5
April	90.9	102.9	101.4	94.6	105.9	98.3	113.8	90.4	95.3	106.6	100.5	115.0	96.1	116.7	96.9	102.9
May	91.7	102.2	100.7	94.9	105.2	98.5	113.6	90.4	95.1	105.7	100.0	119.6	96.3	114.9	96.7	103.7
June	91.6	100.6	100.2	94.8	105.2	98.9	113.1	92.1	95.2	105.7	99.4	118.5	96.9	112.7	96.4	104.1
July	89.6	100.7	99.7	94.2	105.0	99.2	113.3	96.3	95.6	106.1	99.1	115.1	96.8	113.3	95.5	103.8
August	90.1	100.2	99.2	94.6	104.9	99.1	113.9	95.5	96.1	106.1	99.4	115.5	96.6	112.9	96.0	104.1
September	90.0	100.7	96.9	94.8	105.3	100.1	113.5	92.7	97.7	106.6	100.0	114.5	98.4	113.8	96.4	104.0
October	91.3	100.1	93.8	95.1	106.1	101.1	111.9	90.9	98.6	107.1	99.9	115.1	97.8	113.4	97.4	104.1
November	92.7	100.0	88.2	94.8	107.0	102.2	111.5	90.6	99.3	107.2	100.2	114.5	96.8	112.9	96.5	103.9
December	91.1	100.5	89.2	94.3	107.6	102.5	111.4	92.0	99.4	106.8	101.1	112.3	97.6	108.5	96.0	103.5

Table 10 — continued

Nominal effective exchange rates

Index number 1980-82=100. Each index shows a currency's trade-weighted appreciation or depreciation measured against 15 other major currencies, using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Nether-lands	Spain	Switz-erland	Den-mark	Norway	Swe-den
1980																
January	90.3	100.8	89.7	94.0	107.4	102.2	111.4	94.1	99.5	106.7	101.1	112.0	97.0	107.2	96.5	103.3
February	91.0	101.7	87.6	94.2	106.9	101.8	111.9	96.2	99.7	106.4	100.8	112.2	95.2	106.6	97.8	103.5
March	93.9	100.8	87.9	95.3	106.4	100.6	110.5	96.6	99.5	105.8	100.4	112.8	92.7	105.3	98.7	103.7
April	94.7	99.8	87.6	95.8	106.8	100.1	109.3	97.6	99.2	106.0	99.9	109.6	93.8	104.7	99.1	103.9
May	90.7	100.0	94.2	95.3	106.6	100.8	109.2	98.0	99.5	106.8	100.0	106.9	95.3	105.1	98.3	103.7
June	88.6	101.5	98.1	95.5	106.9	100.6	108.6	98.1	99.7	107.0	100.3	106.7	95.7	105.7	98.0	103.3
July	88.4	101.4	96.3	95.8	107.6	100.8	107.9	98.9	100.1	107.1	100.7	104.6	96.3	106.3	97.7	103.3
August	89.5	101.0	95.7	96.6	107.0	100.1	107.9	100.5	100.0	106.4	100.6	104.0	95.4	105.5	98.2	103.7
September	88.7	100.3	99.8	96.4	106.6	99.9	107.2	101.5	99.9	106.0	100.6	102.5	95.9	105.1	98.3	103.9
October	88.9	100.0	103.0	96.8	106.3	98.6	106.3	103.8	99.2	105.0	99.9	102.5	96.3	104.1	98.4	104.4
November	91.1	99.0	102.5	97.5	104.7	97.7	105.8	106.1	98.5	104.2	99.3	103.1	95.8	103.1	98.8	104.8
December	92.0	98.3	105.3	98.2	104.4	97.4	105.3	106.0	98.4	103.6	98.7	101.8	94.6	103.0	97.9	104.7
1981																
January	91.5	98.7	109.3	98.5	103.9	96.5	104.2	109.9	98.1	102.9	97.9	100.7	93.6	101.5	97.2	104.5
February	94.5	98.9	110.0	99.5	102.4	95.6	103.1	110.0	97.6	102.0	96.8	99.9	92.6	99.6	98.6	106.1
March	94.7	99.6	108.4	100.2	102.4	97.4	101.6	106.8	98.4	101.8	96.8	99.8	93.5	99.3	99.0	106.0
April	96.6	100.1	106.3	101.2	102.3	97.2	99.6	106.4	98.7	101.8	96.4	99.9	93.4	98.7	99.9	106.5
May	99.8	99.9	105.7	102.9	99.8	96.3	99.0	106.7	98.3	101.8	95.4	100.9	93.7	97.6	100.9	107.0
June	101.9	100.2	105.5	105.1	99.9	95.7	98.3	103.4	97.8	101.3	95.2	100.3	96.6	97.5	99.8	107.1
July	104.3	100.2	102.9	107.8	100.0	95.6	98.3	100.1	98.1	101.1	95.2	99.6	97.9	97.8	99.4	107.1
August	105.9	99.6	103.5	108.8	99.1	95.4	98.3	99.2	98.4	101.2	95.2	99.2	96.8	97.3	100.3	107.0
September	103.0	100.9	103.4	107.9	100.6	97.4	98.4	94.9	99.3	102.6	96.9	99.3	99.7	100.5	101.4	100.4
October	102.2	100.5	101.6	106.8	98.9	99.9	95.6	94.5	100.9	102.4	99.4	97.9	104.8	101.0	101.0	96.1
November	100.2	101.5	104.8	105.1	97.8	99.7	94.6	96.5	100.5	101.7	100.1	97.5	109.4	100.4	101.3	95.8
December	100.3	101.7	107.2	103.9	97.1	99.5	94.5	97.5	100.1	100.4	100.1	96.9	108.7	99.1	102.9	95.6
1982																
January	101.8	101.4	105.1	103.4	96.7	99.4	94.2	98.0	100.3	100.0	99.9	96.9	108.5	98.2	102.9	95.7
February	104.9	100.1	101.7	103.0	96.4	99.2	94.3	98.6	100.1	97.6	100.0	97.2	108.9	97.0	103.9	96.0
March	106.7	99.9	100.0	102.1	96.5	100.8	93.6	98.0	100.5	91.6	101.5	95.2	110.7	95.4	104.6	96.2
April	107.9	99.8	99.4	102.3	96.3	101.8	92.8	97.4	101.0	91.0	101.3	95.0	107.9	95.1	105.0	96.1
May	105.9	98.6	101.3	101.2	97.2	102.7	92.8	97.2	101.6	91.7	101.7	95.3	105.4	96.4	104.2	95.6
June	111.1	96.2	97.6	102.0	93.1	103.0	92.5	98.8	101.6	91.4	102.3	94.7	103.8	94.7	105.1	96.2
July	112.3	96.9	96.9	100.9	90.7	103.3	92.7	99.1	101.8	91.4	102.6	94.4	104.7	94.0	103.9	96.3
August	112.5	99.0	95.7	98.2	90.4	103.4	92.6	99.2	102.0	91.1	103.2	94.6	104.6	93.7	99.5	96.9
September	113.3	100.0	94.6	97.0	89.4	103.7	92.5	99.6	102.2	90.6	103.9	95.0	104.3	93.2	97.4	96.8
October	114.9	100.8	92.4	97.0	89.7	104.4	91.9	100.5	102.7	90.3	104.9	94.5	104.4	95.4	97.5	85.5
November	115.0	101.2	95.6	97.2	90.1	104.8	91.1	97.5	103.0	90.5	105.3	92.4	104.7	96.7	98.5	82.4
December	111.3	99.5	103.0	96.7	91.6	106.7	92.1	92.9	103.8	90.8	105.7	83.9	107.3	98.2	98.2	81.2
1983																
January	109.7	100.2	106.7	97.3	91.8	106.9	92.8	89.4	103.6	91.1	106.3	82.6	111.3	98.9	97.4	81.0
February	111.0	100.5	105.9	96.8	91.9	107.0	92.6	88.2	103.6	91.0	106.2	81.9	110.3	98.6	98.0	81.1
March	112.0	100.9	105.8	89.3	90.8	106.9	91.3	86.4	104.8	92.2	106.5	80.5	108.4	98.7	97.8	81.2
April	112.5	100.4	106.4	87.5	87.7	109.1	91.3	90.2	104.4	91.5	105.1	80.1	109.9	98.7	98.7	81.5
May	112.2	100.6	107.9	88.2	86.8	108.5	90.8	92.9	104.0	90.8	104.9	79.5	110.6	97.5	99.3	81.7
June	114.3	100.8	106.6	89.4	86.4	107.6	90.7	93.6	103.4	90.2	104.6	78.3	110.6	96.2	98.5	82.2
July	115.1	101.0	106.9	89.8	86.2	107.2	90.6	93.4	103.5	89.7	104.5	76.8	111.7	95.4	99.9	82.6
August	117.0	101.2	106.2	91.5	85.6	106.5	89.6	94.0	103.1	89.2	104.1	77.0	112.3	94.5	100.3	82.8
September	116.7	101.3	107.1	92.2	85.6	106.9	88.9	93.8	103.3	88.8	104.2	76.7	112.4	94.3	100.9	82.6
October	114.8	101.0	110.7	93.5	85.4	106.0	88.6	92.2	103.8	88.7	105.0	76.0	113.2	95.2	100.8	82.3
November	116.5	100.9	110.7	94.8	85.1	107.1	88.3	92.8	103.2	88.4	104.4	75.9	112.8	94.6	100.9	82.7
December	116.0	100.4	112.2	94.1	84.7	106.8	88.0	91.7	102.9	88.2	104.1	75.9	113.8	94.0	99.6	83.1

Table 11

Real effective exchange rates

Index numbers 1980-82=100. Each index is the corresponding nominal effective exchange rate adjusted for differential inflation in wholesale prices of nonfood manufactures. Underlying price data are partly estimated.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Nether-lands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
1976																
January	95.7	113.5	94.5	107.6	109.7	100.3	107.1	76.4	96.5	112.5	103.7	82.0	98.8	102.0	101.7	107.4
February	94.9	114.8	95.6	107.7	109.0	102.8	100.2	77.2	97.2	113.0	104.3	77.3	99.9	101.0	101.0	107.9
March	95.0	116.3	96.8	108.7	106.9	104.3	97.2	74.7	97.9	115.4	103.7	77.9	100.8	106.5	101.6	108.4
April	94.9	117.0	97.8	109.2	106.7	106.0	94.5	71.2	98.9	116.3	104.2	79.7	102.1	108.1	103.5	108.9
May	94.5	117.8	97.9	110.2	104.9	104.7	99.9	70.4	97.9	115.9	103.0	85.0	103.6	108.8	103.3	109.5
June	94.8	118.2	97.8	110.6	105.0	104.1	103.0	68.9	97.0	115.8	103.2	83.1	104.0	108.5	103.3	109.7
July	94.1	118.1	99.8	110.0	103.0	104.0	106.1	70.6	96.9	115.4	102.7	82.2	102.2	105.9	102.8	109.5
August	93.8	116.4	101.3	109.9	100.5	105.1	105.7	70.9	98.0	116.3	104.5	82.3	101.1	106.9	102.4	109.4
September	93.0	117.8	102.1	109.5	101.1	105.4	104.4	68.4	98.4	117.9	105.7	83.9	100.3	110.3	104.7	110.3
October	94.4	116.9	99.8	109.3	100.1	106.8	103.2	64.5	100.2	120.7	107.8	84.3	100.3	111.8	105.7	111.7
November	95.2	115.0	98.0	107.6	99.2	106.6	102.8	65.8	100.6	120.7	108.2	86.3	99.6	111.8	106.8	112.6
December	95.5	112.2	98.2	94.1	99.1	106.8	102.7	67.8	101.3	121.2	108.3	85.8	98.3	111.7	106.3	113.0
1977																
January	94.7	113.6	98.6	96.9	99.7	106.2	101.5	70.8	101.9	120.2	106.8	87.4	96.3	109.7	105.6	112.6
February	94.9	111.6	100.3	97.5	100.0	105.5	102.1	71.3	101.2	120.0	106.8	88.2	95.0	108.6	105.7	113.2
March	94.8	109.9	101.4	98.1	99.6	105.6	101.7	71.8	101.4	119.7	107.6	91.0	92.9	110.5	106.2	112.8
April	94.2	109.9	102.7	98.1	99.1	105.6	101.7	72.7	101.3	119.6	108.6	92.4	93.1	108.6	106.5	109.3
May	94.2	110.0	101.3	97.8	99.4	105.5	101.8	73.3	101.4	119.3	109.4	92.4	92.6	107.1	106.1	109.3
June	94.2	108.8	102.5	98.0	99.7	105.1	101.7	73.7	101.6	119.3	109.0	93.5	93.5	107.4	105.5	107.4
July	93.1	108.8	104.4	98.5	100.6	106.9	100.2	73.3	102.8	119.1	109.5	79.9	94.6	107.5	104.6	109.0
August	93.9	107.4	103.8	97.5	102.2	105.0	100.8	74.8	102.3	118.8	109.6	77.6	94.9	108.9	104.4	106.7
September	94.1	108.0	103.5	98.4	101.5	104.8	102.1	75.5	101.9	119.0	109.2	79.5	96.6	108.6	103.4	99.8
October	94.3	104.3	106.8	97.9	101.2	104.9	101.0	76.0	101.9	118.4	107.4	80.4	99.0	113.0	102.4	98.7
November	93.3	103.0	109.9	97.4	99.6	105.3	100.4	77.5	102.1	117.7	106.8	82.4	101.1	112.3	101.5	98.2
December	91.7	103.6	109.7	96.8	99.3	106.7	98.0	77.2	102.3	119.0	106.4	82.6	104.4	112.3	103.8	97.0
1978																
January	90.8	103.6	107.9	96.0	98.7	106.1	97.8	80.1	102.9	118.9	106.3	83.2	105.9	112.5	105.0	97.7
February	90.6	102.8	107.5	95.8	95.3	107.2	99.0	79.8	103.3	120.3	109.2	83.2	109.1	114.2	103.0	97.3
March	89.6	101.8	110.6	95.2	98.0	107.8	98.1	77.4	103.6	120.2	109.8	83.7	107.6	114.1	100.6	97.5
April	89.5	100.9	115.1	94.7	100.6	106.9	98.4	75.1	103.3	119.6	109.0	84.1	106.9	114.4	100.5	98.2
May	90.8	102.7	113.0	94.8	100.9	105.9	100.0	75.5	102.2	118.3	107.6	84.8	105.0	114.6	100.6	98.7
June	89.5	101.9	118.3	94.2	101.7	105.2	100.3	75.5	101.7	117.3	106.8	86.1	107.6	114.5	99.3	98.2
July	87.8	101.0	124.5	92.7	104.0	104.0	99.8	76.8	101.3	116.0	105.4	86.9	109.4	112.7	97.8	98.5
August	86.0	99.6	129.5	91.4	103.5	104.2	98.7	76.9	101.2	116.4	105.0	88.3	115.3	112.4	97.6	98.8
September	86.3	98.2	126.8	91.9	101.8	104.2	99.3	77.3	100.3	116.9	104.8	90.3	120.9	113.4	98.9	97.7
October	84.6	96.9	127.5	91.2	101.4	106.9	97.3	76.3	101.4	119.4	106.2	92.9	117.3	116.5	99.8	97.5
November	86.9	98.3	122.7	92.0	100.7	106.5	97.2	76.9	101.4	119.2	105.9	95.3	111.5	117.3	99.3	98.0
December	87.4	97.3	119.3	92.1	101.2	107.2	97.0	77.6	101.7	118.6	106.1	95.9	110.3	116.1	98.6	97.5
1979																
January	87.2	97.8	117.0	91.8	102.2	107.5	97.6	77.9	102.1	118.3	106.7	96.7	108.3	115.6	96.3	97.3
February	87.4	98.3	115.1	92.2	101.5	107.3	98.4	78.3	101.2	117.9	105.8	98.6	110.1	114.3	95.9	98.6
March	87.3	100.3	111.7	91.9	101.3	107.5	99.1	80.1	100.3	117.2	104.9	99.4	109.5	114.3	94.9	98.5
April	88.0	103.3	106.7	91.6	100.7	106.7	101.1	83.2	98.9	115.5	103.4	102.7	107.5	112.3	95.1	98.7
May	88.8	102.3	106.2	91.7	100.4	106.7	101.2	83.7	98.1	113.9	102.2	107.4	107.8	110.0	95.7	100.0
June	88.6	100.5	105.9	91.2	100.5	106.5	100.7	86.0	97.8	113.0	101.2	106.6	111.6	108.7	94.3	100.7
July	88.5	100.5	106.2	90.9	100.4	106.5	100.7	91.3	98.0	113.7	100.0	104.4	110.0	110.3	92.0	100.5
August	88.7	100.4	106.4	91.7	100.3	106.2	101.6	90.9	98.1	113.1	100.9	104.8	107.6	112.3	92.5	101.4
September	88.8	101.0	104.1	91.8	100.9	106.7	102.3	88.5	99.6	112.9	101.2	105.3	108.9	114.3	92.4	101.0
October	89.1	100.4	99.9	91.6	101.3	107.2	101.9	87.1	100.4	113.0	100.4	106.2	106.9	113.6	94.4	100.7
November	90.5	100.0	93.8	91.9	101.9	108.0	102.0	86.9	101.0	113.3	100.4	106.7	106.6	111.5	93.0	101.4
December	88.9	100.6	95.3	91.3	102.5	107.9	103.4	88.3	100.7	112.6	100.8	104.9	106.8	106.7	92.5	100.9

Table 11 — continued

Real effective exchange rates

Index numbers 1980-82=100. Each index is the corresponding nominal effective exchange rate adjusted for differential inflation in wholesale prices of nonfood manufactures. Underlying price data are partly estimated.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Nether-lands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
1980																
January	87.8	102.7	96.2	90.3	101.4	107.6	103.8	91.8	100.4	111.1	102.4	105.2	104.0	104.9	93.0	100.6
February	88.8	102.5	94.2	91.9	101.0	107.0	105.7	94.2	100.6	109.7	101.3	105.3	100.1	103.9	96.3	101.1
March	91.9	100.1	95.2	92.6	101.4	105.2	104.7	95.2	100.0	108.5	100.5	105.9	97.2	103.3	96.9	101.6
April	93.3	98.3	95.5	92.2	101.7	104.8	103.5	96.2	99.0	108.3	99.6	103.3	98.1	102.5	97.0	101.0
May	89.2	98.2	103.1	91.6	101.4	105.1	104.0	97.2	99.9	108.5	99.9	101.5	99.5	103.3	96.6	100.7
June	87.2	99.8	107.5	91.7	101.6	104.8	103.6	98.2	100.4	108.2	99.9	102.2	98.9	103.5	95.5	100.6
July	87.6	99.6	104.5	92.5	102.7	104.3	102.9	99.1	101.3	108.1	100.8	100.4	99.0	105.4	95.9	100.5
August	88.6	99.4	104.0	94.1	103.6	103.0	103.1	100.8	101.1	107.0	100.2	99.9	96.9	105.2	95.7	101.2
September	87.3	99.5	108.4	94.3	103.6	102.2	103.2	102.2	101.0	106.6	100.1	99.4	97.1	103.7	96.8	101.6
October	88.9	98.9	109.7	94.2	103.3	100.3	102.9	104.1	100.3	105.4	99.0	99.9	97.9	103.7	97.4	102.0
November	90.9	98.1	108.5	95.3	101.6	99.5	102.8	106.0	99.1	105.0	98.2	100.9	98.5	102.5	98.2	102.3
December	91.9	97.4	110.6	96.0	102.6	98.8	102.2	105.4	99.6	104.2	97.6	99.8	97.2	102.8	97.4	102.2
1981																
January	91.9	98.6	113.0	96.1	101.2	97.6	102.0	109.8	99.9	102.6	98.9	98.5	95.3	99.4	97.8	102.8
February	95.5	97.9	111.9	97.8	100.9	96.5	100.5	109.6	98.9	101.7	97.4	97.7	94.7	97.6	100.0	104.5
March	96.2	98.6	108.7	98.8	99.9	98.6	99.5	106.1	99.5	101.2	97.4	98.7	95.7	98.7	101.1	104.5
April	98.5	98.9	105.8	99.6	101.2	98.0	98.3	105.7	99.7	100.9	96.6	99.3	94.2	99.1	102.0	104.0
May	101.6	99.3	105.0	101.2	98.3	97.1	98.4	106.2	98.7	100.4	95.9	100.9	94.1	98.2	103.0	105.0
June	103.6	99.9	104.1	104.0	98.9	96.4	97.9	103.2	98.0	99.8	95.6	100.3	97.9	98.9	101.7	104.5
July	105.6	100.3	100.8	107.2	100.6	95.9	98.1	99.7	98.1	99.2	95.9	99.4	98.2	98.6	100.4	105.6
August	106.5	100.3	101.6	108.2	99.9	95.8	98.4	98.8	98.0	99.1	96.0	99.0	97.8	98.0	100.6	105.3
September	102.9	102.0	101.4	107.4	102.6	97.0	99.5	94.6	98.6	99.9	98.0	99.2	100.3	101.0	102.4	99.8
October	103.5	101.1	98.5	106.2	99.2	99.1	97.6	94.9	100.6	100.4	100.1	98.6	104.3	101.7	101.2	96.8
November	101.5	101.4	101.2	104.7	99.9	98.4	97.0	97.0	99.7	99.5	100.3	98.4	107.8	100.8	101.5	96.3
December	101.5	101.9	103.3	103.3	99.3	97.9	97.4	98.1	99.5	99.0	99.8	98.3	106.9	100.1	102.4	96.4
1982																
January	102.9	101.5	100.2	103.4	99.1	97.8	97.6	98.6	99.7	97.8	101.2	98.4	105.7	97.7	104.3	97.7
February	105.3	100.7	96.8	104.5	100.0	97.1	98.4	99.3	99.3	95.3	100.7	99.4	104.8	96.5	105.5	98.6
March	106.7	101.1	94.9	104.7	100.0	98.1	98.0	98.6	100.6	91.7	101.6	98.4	105.7	95.6	104.9	99.1
April	107.1	101.8	94.2	105.3	100.4	99.0	97.2	97.8	100.6	91.1	101.0	99.1	103.4	95.9	105.7	99.0
May	104.9	100.7	95.6	104.6	102.4	99.4	97.3	97.4	100.7	92.2	101.7	100.3	101.4	96.6	105.4	98.5
June	110.6	97.8	91.3	106.1	97.8	99.5	96.8	99.0	100.6	91.8	102.6	99.9	100.4	96.2	105.1	98.7
July	112.5	97.8	90.0	105.6	95.7	99.5	97.3	99.7	100.9	91.7	102.6	99.6	100.6	95.7	103.8	99.3
August	112.8	99.6	88.9	103.8	95.0	99.5	97.8	99.8	100.8	91.6	102.8	99.9	100.7	96.0	99.6	100.0
September	112.4	102.0	88.1	103.2	94.1	99.5	98.2	100.5	100.8	91.0	103.3	101.0	101.1	95.8	98.4	100.0
October	115.2	101.3	85.1	102.8	95.3	99.6	97.3	101.4	100.8	90.1	103.6	100.6	101.5	98.3	98.3	91.0
November	115.5	101.5	87.8	102.7	95.2	99.5	97.8	98.7	100.9	90.3	103.7	99.3	101.4	98.9	99.2	89.1
December	111.9	99.5	94.2	102.4	97.1	100.7	99.1	95.0	102.2	91.0	103.4	91.7	102.9	100.0	99.2	88.1
1983																
January	109.4	100.7	97.6	103.7	96.9	100.5	100.9	91.9	102.3	91.3	104.4	91.3	106.2	100.8	98.7	88.9
February	110.2	101.3	96.8	103.7	98.4	99.8	99.9	90.8	102.5	92.8	103.6	91.5	104.9	100.9	100.0	88.6
March	110.6	102.7	96.5	96.3	97.6	101.1	99.7	89.2	103.8	94.0	103.5	90.3	103.0	101.0	99.3	88.7
April	110.4	103.0	96.1	94.6	96.1	100.9	100.1	93.2	102.5	93.0	101.7	90.4	103.9	100.9	100.3	89.3
May	110.3	103.3	96.9	95.4	94.6	100.1	100.2	96.2	101.6	92.7	101.3	90.3	104.1	100.0	101.4	90.0
June	112.6	103.2	95.3	96.6	94.3	99.3	100.0	96.9	101.0	92.3	101.0	89.4	104.0	98.4	100.8	91.2
July	113.2	103.7	95.3	97.2	95.0	98.3	100.1	96.4	101.3	91.8	101.3	87.7	104.7	97.2	101.2	92.1
August	115.2	103.7	93.6	99.3	94.3	98.0	99.4	97.1	100.5	91.2	100.8	87.8	105.6	95.7	100.9	92.8
September	113.9	104.3	94.7	100.7	95.0	98.1	99.0	97.3	100.5	90.5	100.9	88.1	105.5	97.4	102.3	92.4
October	113.2	103.0	97.2	102.0	95.5	98.7	98.8	94.9	101.3	89.9	101.7	87.7	106.0	97.8	102.5	92.2
November	114.3	103.1	96.9	103.9	95.7	97.8	98.8	95.2	100.7	89.5	101.3	87.9	105.7	96.9	102.2	93.1
December	115.7	102.5	97.8	103.4	95.8	97.4	98.8	94.1	100.3	89.0	101.1	88.1	106.5	96.6	101.1	93.8

Central bank discount rates

	1980	1981	1982	1983				Current	
	end Dec	end Dec	end Dec	end Mar	end Jun	end Sep	end Dec	Jan 13 1984	effective since
United States	13.00	12.00	8.50	8.50	8.50	8.50	8.50	8.50	Dec 15, 82
Canada	17.36	14.66	10.05	9.42	9.42	9.49	9.96	9.74	Jan 12, 84
Japan	7.25	5.50	5.50	5.50	5.50	5.50	5.00	5.00	Oct 22, 83
United Kingdom	14.00	14.37	10.00	10.56	9.50	9.50	9.00	9.00	Oct 4, 83
Belgium	12.00	15.00	11.50	11.00	9.00	9.00	10.00	10.00	Nov 24, 83
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	7.50	7.50	5.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
Italy	16.50	19.00	18.00	18.00	17.00	17.00	17.00	17.00	Apr 9, 83
Netherlands	8.00	9.00	5.00	3.50	4.50	5.00	5.00	5.00	Sep 9, 83
Austria	6.75	6.75	4.75	3.75	3.75	3.75	3.75	3.75	Mar 18, 83
Denmark	11.00	11.00	10.00	8.50	7.50	7.50	7.00	7.00	Oct 27, 83
Finland	9.25	9.25	8.50	8.50	8.50	9.50	9.50	9.50	July 1, 83
Ireland	12.75	17.15	14.35	14.35	13.80	13.00	11.50	11.50	Nov 11, 83
Norway	9.00	9.00	9.00	9.00	9.00	8.00	8.00	8.00	Jun 6, 83
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	12.00	11.00	10.00	9.00	8.50	8.50	8.50	8.50	Apr 8, 83
Switzerland	3.00	6.00	4.50	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
Argentina	87.01	98.50	128.54	128.54	128.54	183.75	183.75	183.75	Sep 5, 83
Korea	15.50	10.50	5.00	5.00	5.00	5.00	5.00	5.00	Mar 29, 82
New Zealand	14.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	Jul, 81
Philippines	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	May 19, 78
Singapore	10.50	9.50	7.00	7.00	7.00	7.00	7.00	7.00	Feb 19, 82
South Africa	7.00	13.50	13.50	13.50	13.50	13.50	13.50	13.50	Dec 15, 81
Venezuela	13.00	14.00	13.00	13.00	11.00	11.00	11.00	11.00	May 18, 83

Day-to-day money rates

monthly averages

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	18.90	12.37	8.95	8.63	8.98	9.37	9.56	9.45	9.48	9.34	9.37
Canada	15.61	14.53	10.63	9.28	9.45	9.31	9.35	9.25	9.35	9.43	8.78
Japan	9.49	6.70	6.92	6.08	6.20	6.39	6.46	6.15	6.42	5.99	6.47
Australia	9.51	12.84	11.04	11.16	10.87	9.84	10.13	9.80	9.03	9.31	n.a.
United Kingdom	13.00	9.13	6.70	6.00	6.63	6.60	6.31	7.30	7.81	7.06	7.77
Belgium	9.68	12.78	9.43	7.45	7.66	7.49	7.61	6.38	6.89	6.58	6.65
France	10.87	15.46	12.88	12.46	12.61	12.40	12.54	12.57	12.35	12.37	12.27
Germany	9.13	10.65	6.07	5.00	5.05	5.04	5.07	5.43	5.53	5.59	5.60
Italy	17.50	20.63	19.00	18.00	17.80	17.75	17.68	17.69	17.75	17.79	17.88
Netherlands	8.37	10.67	5.31	5.22	5.06	5.29	5.77	5.68	5.82	5.70	5.84
Austria	11.50	7.50	6.00	4.38	4.50	5.00	5.00	5.50	5.63	5.63	5.75
Finland	12.50	11.30	11.50	15.00	15.00	15.00	15.00	16.67	16.95	16.70	16.70
Ireland	13.31	16.88	14.54	14.38	13.62	13.75	12.50	12.63	11.00	12.25	12.19
Norway	11.00	18.60	11.00	12.75	12.00	12.00	12.70	12.30	13.50	13.00	13.00
Spain	16.74	18.73	20.30	21.01	20.10	21.05	23.33	19.85	20.27	18.56	16.41
Sweden	11.41	13.82	8.63	11.00	11.05	11.00	10.15	11.30	12.00	11.97	11.48
Switzerland	5.75	3.38	1.25	3.88	3.00	3.00	2.00	2.00	1.75	1.63	1.88
Argentina	70.84	84.93	155.32	162.81	170.43	210.04	106.40	173.90	258.90	225.05	213.03
Hong Kong	14.05	10.75	9.13	11.38	12.38	7.00	6.81	13.25	18.00	10.00	n.a.
Korea	14.62	14.40	13.84	13.40	13.40	12.70	12.70	12.80	12.80	12.90	11.40
Philippines	15.70	14.70	16.12	13.55	13.05	13.59	15.56	16.54	24.23	18.96	n.a.
Singapore	10.23	3.96	11.45	6.63	5.96	6.06	6.33	6.51	7.02	7.23	7.05
South Africa	5.80	12.34	12.90	9.73	10.91	12.29	13.62	13.43	13.66	14.24	15.63
Eurodollars	19.22	12.29	9.15	8.71	9.07	9.42	9.52	9.42	9.44	9.26	9.52

Treasury bill rates

bond-equivalent yields, at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	14.07	11.90	8.15	8.75	9.02	9.50	9.52	9.05	8.92	9.05	9.28
Canada	17.01	14.41	9.80	9.25	9.17	9.24	9.32	9.24	9.24	9.38	9.71
Japan	5.93	5.42	5.42	5.42	5.42	5.42	5.42	5.42	4.91	4.91	4.91
Australia	12.17	13.27	9.39	11.83	11.93	10.59	10.96	10.34	9.38	9.32	n.a.
United Kingdom	13.45	15.31	9.90	9.68	9.29	9.40	9.57	9.21	8.89	9.08	9.08
Belgium	12.75	16.00	12.25	10.00	9.50	9.25	9.25	9.25	9.50	10.85	10.85
Ireland	12.84	17.35	14.70	14.01	12.95	13.09	13.01	12.12	11.96	11.66	11.63
Italy	16.87	21.36	19.11	17.65	17.35	17.35	17.24	17.18	17.08	17.05	n.a.
Netherlands	6.00	9.75	5.63	5.63	4.63	5.38	6.00	5.88	5.63	5.63	5.63
Spain	17.20	15.83	16.96	21.67	21.52	22.53	22.93	22.24	20.74	19.08	17.61
Sweden	12.87	9.20	8.18	7.13	7.12	7.12	7.13	7.13	7.13	7.13	7.13
Korea	16.35	16.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	n.a.
Mexico	27.73	33.22	57.44	63.04	62.36	61.10	57.89	56.17	55.60	54.15	n.a.
New Zealand	11.25	11.25	11.25	12.00	12.00	7.80	7.80	7.80	7.80	7.80	7.80
Philippines	12.74	13.40	14.53	14.49	14.00	14.03	14.48	14.71	15.04	15.56	n.a.
Singapore	6.77	3.03	2.74	2.51	2.61	2.59	2.58	2.65	2.63	2.62	2.59
South Africa	6.31	14.55	14.62	11.81	13.98	14.46	16.19	15.49	15.66	17.47	18.43

Representative money-market rates

bond-equivalent yields on major short-term (mostly 3-4-month) money-market instruments, other than Treasury bills, at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	17.62	12.78	8.81	8.63	9.34	9.57	9.52	9.36	9.26	9.31	9.75
Canada	17.50	15.25	9.95	9.50	9.45	9.40	9.50	9.40	9.40	9.60	9.87
Japan	9.80	6.30	6.80	6.36	6.47	6.59	6.61	6.62	6.30	6.42	6.45
Australia	13.00	16.00	10.65	13.00	13.85	12.10	12.20	11.15	11.00	10.60	n.a.
United Kingdom	14.75	15.69	10.50	10.25	9.75	10.06	9.75	9.56	9.31	9.25	9.31
Belgium	13.10	16.00	12.35	10.00	9.50	9.25	9.25	9.25	9.60	11.00	11.00
France	11.56	15.25	12.75	12.44	12.50	12.13	12.25	12.50	12.19	12.31	12.19
Germany	10.20	10.50	6.20	5.25	5.55	5.50	5.85	5.80	6.15	6.25	6.30
Ireland	13.63	18.50	15.75	14.75	13.63	13.88	13.38	12.69	12.53	12.38	12.19
Italy	17.37	21.00	19.00	17.75	17.50	17.50	17.60	17.50	17.63	17.88	17.88
Netherlands	9.37	11.00	5.25	6.13	5.38	5.69	5.31	6.25	6.13	6.31	6.00
Spain	17.40	15.52	16.55	21.57	20.76	22.48	24.04	22.06	22.19	20.29	18.48
Switzerland	7.50	10.12	3.88	4.75	4.81	4.85	4.44	4.25	4.25	4.25	3.88
Hong Kong	17.69	14.18	10.13	11.50	12.88	9.88	8.94	12.75	16.88	11.50	n.a.
Korea	16.35	15.69	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
New Zealand	14.25	16.05	16.75	16.00	16.75	12.75	10.25	10.00	10.75	12.00	n.a.
Philippines	15.01	17.61	15.91	15.57	15.06	15.96	15.62	16.49	16.26	17.34	n.a.
Singapore	14.12	7.81	6.69	7.56	7.81	7.88	7.38	7.38	7.50	7.63	8.44
South Africa	7.12	15.47	15.26	12.21	14.88	14.94	16.61	16.45	16.94	18.19	19.12

Commercial bank deposit rates

at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	16.25	12.62	8.25	8.88	9.18	9 65	9.65	9.20	9.30	9.30	9.70
Canada	17.00	15.20	9.85	9.40	9.35	9.35	9 45	9.35	9.35	9.50	9.82
Japan	9.00	6.50	7.00	6.60	6.67	6.80	6.83	6.88	6.45	6.60	6.50
Australia	12.71	15.65	10.20	12.68	14.84	12.05	11.88	10.56	10.96	10.35	n.a.
United Kingdom	14.87	15.69	10.31	10.28	n.a.	10.06	9.78	9.50	9.25	9.22	9.31
Belgium	12.63	15.50	12.25	10.13	9.25	9.13	9.25	9.50	9.38	11.25	11.00
France	11.25	9.16	8.24	8.24	8.24	8.24	7.30	7.80	7.70	7.70	7.66
Germany	8.00	9.50	6.00	4.85	4.90	4.90	4.90	5.63	5.60	5.80	5.90
Italy	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25
Netherlands	9.50	11.00	5.38	6.25	5.50	5.63	5.25	6.13	6.06	6.19	6.13
Austria	11.25	9.63	6.25	4.69	5.00	5.31	5.56	6.06	6.31	6.38	6.50
Denmark	10.00	10.00	9.00	6.50	6.50	6 50	6.50	6.50	6.50	6.00	6.00
Finland	5.00	5.00	4.25	4.25	4.25	5.25	5.25	5.25	5.25	5.25	5.25
Ireland	13.63	18.38	15.25	14.50	13.25	13.50	13.13	12.25	12.50	12.25	11.75
Norway	11.00	12.75	13.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.75
Spain	4.50	11.78	12.53	12.36	12.47	12.28	12.28	12.24	12.08	12.50	n.a.
Sweden	9.75	10.25	9.50	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Switzerland	7.50	8.75	3.00	3.75	4.25	4.00	3.75	3.75	3.50	3.50	3.50
Argentina	72.00	86.76	103.42	121.66	108.28	127.75	139.92	176.41	176.41	176.41	176.41
Hong Kong	13.00	12.50	7.50	11.00	10.50	8.50	8.50	12.00	10.00	9.00	n.a.
Korea	14.82	14.40	7.60	7.60	7.60	7.60	7.60	7.60	7.60	7.60	7 60
Mexico	26.15	31.81	52.54	60.35	60.03	59.25	57.33	56.38	55.28	54.88	54.70
New Zealand	13.50	15.50	16.50	14.75	16.50	10.00	9.00	9.00	9.50	10.75	n.a.
Philippines	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
Singapore	13.19	7.50	8.25	7.07	7.01	7.44	6.88	6.81	7.07	7.19	7.44
South Africa	7.87	14.75	15.25	12.35	14.75	14.95	16.62	17.00	17.00	18.43	20.13
Venezuela	16.00	14.75	15.50	15.00	14.00	13.50	13.00	12.50	12.00	12.00	12.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	21.50	15.75	11.50	10.50	10.50	10.50	11.00	11.00	11.00	11.00	11.00
Canada	18.25	16.50	12.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Japan	8.18	6.95	6.28	6.26	6.25	6.25	6.24	6.23	6.25	6.10	6.10
Australia	13.50	15.75	15.00	15.00	16.00	14.50	14.50	14.00	13.25	13.25	n.a.
United Kingdom	15.00	14.50	10.00	10.00	9.50	9.50	9.50	9.50	9.00	9.00	9.00
Belgium	15.75	16.00	15.50	14.00	13.25	12.50	12.50	12.50	12.50	13.25	13.75
France	12.25	14.00	12.25	12.25	12.25	12.25	12.25	12.25	12.25	12.25	12.25
Germany	11.50	13.00	8.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Italy	20.50	22.50	20.75	18.75	18.75	18.75	18 75	18.75	18.75	18.75	18.75
Netherlands	10.75	12.00	6.25	6.25	6.25	6.25	6.75	7.00	6.75	6.50	7.00
Austria	12.50	13.50	11.75	9.75	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Denmark	13.75	15.00	14.00	11.00	10.50	10.50	10.50	10.50	10.50	10.00	10.00
Finland	9.83	9.84	8.95	9.00	9.07	10.07	10.10	10.16	10.14	10.15	n.a.
Ireland	14.50	17.25	16.50	16.25	15.00	15.00	15.00	13.75	13.75	13.75	13.75
Norway	12.50	13.75	14.50	14.25	14.83	13.38	13.13	13.50	13.25	13.75	13.50
Spain	18.50	17.04	19.00	22.40	22.73	23.47	25.19	24.09	23.70	22.87	20.85
Sweden	11.75	13.50	12.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Switzerland	5.75	8.00	6.00	5.50	5.50	6.00	6.00	6.00	6.00	6.00	6.00
Argentina	77.00	92.60	109.50	170.00	184.00	240.00	152.08	188.58	188.58	188.58	188.58
Hong Kong	17.00	16.00	10.50	11.50	13 50	11.50	11.50	16.00	15.00	13.50	n.a.
Korea	19.50	16.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Mexico	24.25	31.81	46.12	58.14	58.63	58.73	58 23	57.78	57.14	56.82	56.44
New Zealand	13.00	13.00	13.00	13.00	13.00	13.00	11.00	11.00	11.00	11.00	n.a.
Philippines	16.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Singapore	13.60	11.83	9.33	9.03	8.88	9 00	9.00	8.95	8.93	8.93	8.98
South Africa	9.50	17.00	18.00	14.00	16.00	16.00	18.00	18.00	18.00	19.00	20.00
Venezuela	15.00	15.50	17.00	17.00	17.00	16.50	16.25	16.00	16.00	16.00	16.00

Domestic government bond yields

long-term issues, at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	11.46	14.33	10.61	10.91	11.20	11.95	11.77	11.65	11.85	11.89	12.00
Canada	12.69	15.27	11.69	11.30	11.56	12.03	12.34	11.76	11.73	11.80	12.02
Japan	9.04	8.32	7.76	7.80	7.78	7.87	7.80	7.58	7.51	7.39	7.19
Australia	13.00	15.00	13.00	14.80	15.10	15.00	14.60	14.40	13.70	13.40	n.a.
United Kingdom	13.05	15.02	10.62	10.10	10.12	10.71	10.65	10.15	10.13	9.93	9.94
Belgium	13.04	13.99	12.66	11.63	11.53	11.42	11.46	11.39	11.32	11.75	11.89
France	14.31	16.44	15.40	14.55	14.52	14.04	13.96	14.03	14.15	14.12	13.96
Germany	9.19	9.71	7.90	8.09	8.11	8.27	8.55	8.43	8.30	8.34	8.38
Italy	16.23	21.39	19.62	18.13	18.22	18.42	18.11	17.79	17.64	17.78	n.a.
Netherlands	10.48	11.28	8.16	9.30	9.00	9.08	9.03	8.80	8.53	8.57	8.58
Austria	9.62	10.37	8.81	8.07	8.14	8.18	8.31	8.32	8.16	8.06	n.a.
Denmark	19.96	20.91	20.14	14.17	15.38	15.56	14.92	14.19	13.95	14.22	12.96
Finland	10.42	10.98	10.64	10.89	10.55	10.58	11.20	10.97	11.19	11.16	n.a.
Ireland	15.63	16.28	14.54	13.51	13.61	13.81	13.60	13.72	13.82	13.72	14.25
Norway	10.44	12.37	13.32	12.75	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Spain	16.15	16.20	15.92	17.31	17.63	17.60	18.31	18.76	19.47	n.a.	n.a.
Sweden	12.61	12.80	13.01	12.14	12.17	11.85	11.24	12.20	12.24	12.44	n.a.
Switzerland	4.63	5.40	4.22	4.51	4.59	4.76	4.73	4.71	4.61	4.62	4.52
New Zealand	12.99	12.55	12.84	14.00	13.59	14.02	10.41	10.13	9.72	n.a.	n.a.
Philippines	13.40	13.41	13.41	13.41	13.41	13.41	13.41	13.41	13.41	13.41	13.41
South Africa	11.81	13.62	11.31	12.85	14.15	13.27	13.16	12.93	13.33	13.60	13.70
Venezuela	7.39	12.50	15.00	15.75	15.75	15.00	15.00	14.00	14.00	14.00	13.50

Domestic corporate bond yields

long-term issues, at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	13.00	15.50	11.75	11.75	11.75	12.75	12.50	12.25	12.63	12.38	12.63
Canada	13.53	16.18	12.74	12.44	12.40	13.03	13.13	12.54	12.57	12.58	12.89
Japan	8.60	7.70	7.55	7.16	7.30	7.34	7.32	7.30	7.29	7.27	7.09
Australia	14.25	16.50	15.00	16.00	16.00	15.75	15.50	15.00	15.00	15.00	n.a.
United Kingdom	14.21	16.55	12.34	12.12	11.89	12.34	12.27	11.89	11.84	11.51	11.57
France	15.23	17.33	15.91	14.85	14.86	14.76	14.48	14.36	14.62	14.30	14.06
Germany	9.50	10.50	8.20	7.40	7.90	8.00	8.10	8.30	8.30	8.30	n.a.
Netherlands	10.71	11.03	7.80	8.91	8.79	8.75	8.79	8.68	8.39	8.53	8.51
Norway	11.24	13.36	14.13	13.50	13.25	13.25	12.25	13.25	13.25	13.25	13.25
Spain	14.82	14.76	17.10	16.77	16.86	18.00	19.59	20.05	20.37	20.03	n.a.
Sweden	11.95	12.94	13.37	12.89	12.79	12.85	12.77	12.99	12.40	12.51	12.21
Switzerland	5.63	6.60	5.92	5.94	6.06	6.10	6.21	6.43	6.27	6.29	5.95
Korea	28.20	27.00	15.90	13.90	13.90	13.90	13.90	14.20	14.10	14.10	14.20
Venezuela	16.15	17.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00

J. P. Morgan & Co. Incorporated
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World Financial Markets

Morgan Guaranty Trust Company of New York

February 1984

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*U.S. leadership in the world economy**

Three years ago, when President Reagan assumed office, the nation's economic priorities were more domestic than international. For twenty years U.S. economic performance had deteriorated. By 1980 the United States combined high inflation with one of the poorest productivity records among the industrial countries. Moreover, the U.S. economy was heading toward recession, unemployment was mounting, and interest rates were climbing to record levels. Many observers questioned whether dynamism could be restored; this erosion of confidence was evident in the dollar's chronic exchange-market weakness.

The challenge facing the new Administration was to reinvigorate the private sector and restore noninflationary economic growth. It supported the Federal Reserve's policy to fight inflation, and used fiscal policy to promote economic growth, despite deficit concerns. Tax rate reductions and slower growth of government expenditures were to free resources for the private sector. In addition, regulatory policy was to reduce government encroachment on the economy in order to promote efficiency.

In the international area, no major initiatives seemed necessary. By the beginning of 1981, the dollar had stabilized and the U.S. current account was back in surplus. U.S. oil imports were declining as controls on domestic oil prices were phased out. Besides, since the inflationary U.S. policies of the 1970s had aggravated international problems, putting its own economic house in order appeared the best way for the United States to help the rest of the world — a view that was widely shared abroad.

Today, the United States is reaping major benefits from its new economic course. It now records low inflation and the highest rate of economic growth among the industrial countries. The economic upturn touches most major sectors. The long-awaited upturn of business investment has materialized, promising to transform cyclical gains into longer-term productivity improvement. Unemployment has dropped more swiftly than expected, from a peak rate of 10.8% a year ago to 8.2% today. For 1984, economic growth of 5%, 4½% inflation, and a 7½% unemployment rate are in view. Thus, some of the principal

*Based on remarks presented by Rimmer de Vries, Senior Vice President, Morgan Guaranty Trust Company, on January 11, 1984, to the Economic Symposium arranged by the Deposit Guaranty National Bank, Jackson, Mississippi.

Chart 1

The dollar and trade

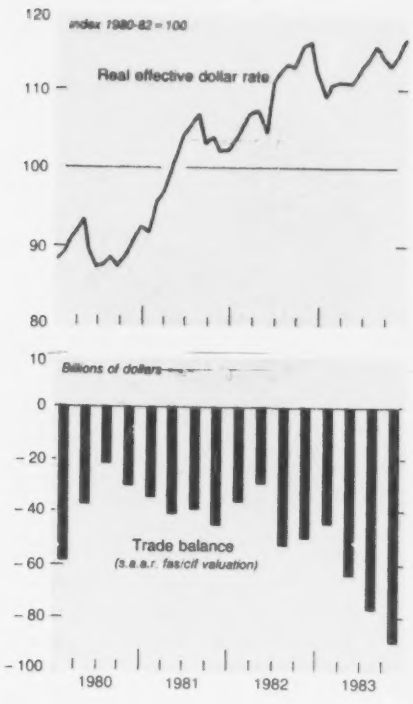
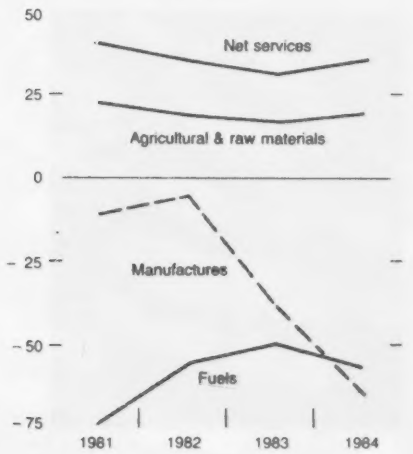


Chart 2

U.S. trade balances by sector

exports fas/imports cif basis

in billions of dollars



domestic economic objectives of the Administration are now being fulfilled.

With these accomplishments at home, the United States must now refocus on international issues. We must be more sensitive to the impact of U.S. policies on other countries, and more cognizant of how economic and political problems abroad affect our own future.

Three issues demand priority attention. The first concerns the soaring U.S. trade deficit and the worldwide impact of exceptional dollar strength (see Chart 1). Some segments of the U.S. economy are more and more vulnerable to foreign competition as the dollar rides higher. Protectionist pressures abound. The Administration has felt obliged to compromise free-trade instincts by concessions to domestic interest groups thus harming world trade relations. Moreover, if unchecked, the trade deficit implies growing dependence on foreign capital inflows. If these were to halt or reverse, the dollar could decline precipitously, rekindling inflation at home.

A second major issue is the economic malaise in Europe, dubbed by some as "Eurosclerosis." To be sure, the super strength of the dollar is as much a vote of confidence in the United States as a lack of confidence in Europe. Europe's economic growth potential has sagged to a fraction of what it once was. Europe lags far behind in the high-technology race. Unemployment in the European Community exceeds 12 million, with meager expectations for improvement. The inability of Europe to approach U.S. vigor is disquieting.

The third challenge relates to developing countries, particularly those in Latin America that are afflicted by the most severe economic and financial troubles since the 1930s. The solution to their debt problems must enable attainment of their long-run economic growth potential and restore their creditworthiness.

The three issues are interrelated, for their constructive resolution depends crucially on getting world interest rates down and reversing the global slide into protectionism. Bringing down U.S. interest rates will encourage more expansionary policies in Europe and Japan, lessen the debt-servicing burden on LDCs, and ease tensions in the international financial system. Lower interest rates also could blunt U.S. protectionist impulses by moderating undue dollar strength.

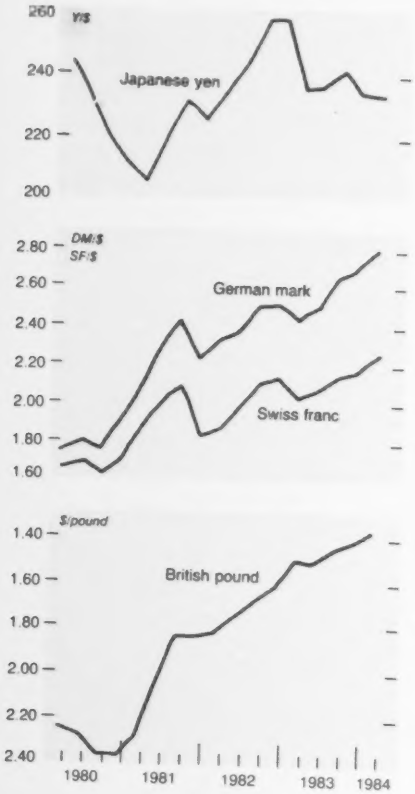
The U.S. trade deficit and dollar strength

Deterioration of the U.S. trade and current accounts has occurred rapidly and it poses real dangers. As recently as 1981 this country had a $5 billion surplus on its current account. A roughly $40 billion deficit on merchandise trade was outweighed by large service earnings, principally income from foreign investment. But in the three months ended last December the trade deficit topped $90 billion at an annual rate. It will likely surpass $100 billion this year, resulting in a current account deficit of $60 billion or more.

Few sectors of goods and services trade have escaped the weakening trend. Deterioration is most conspicuous in manufactures (see Chart 2). They earned an $11 billion surplus in 1981, but could be in the red by $60 billion in 1984. The 1981 U.S. surplus of $25 billion in agricultural and raw materials has shrunk to about $17 billion. World recession and dollar strength have cut into direct investment earnings, causing the overall invisibles surplus to dip $6 billion. U.S. petroleum imports have risen from their low a year ago.

Chart 3

Bilateral exchange rates



One caution should be entered to this litany of trade woes: the statistics are not fully reliable. For the world at large, measured current account deficits exceed surpluses by $100 billion, a discrepancy that has widened enormously since the second oil shock. Much of the reporting problem involves investment income, transportation, and all kinds of contract and professional fees. The United States has a leading position in world services trade, so it is likely that sizable earnings escape the official accounts. The current account deficit may therefore be overstated $20 billion or more. Still, whatever the level, there is no doubt that the current account trend is sharply negative.

The trade deficit is frequently attributed to the runaway strength of the dollar. It should be emphasized that the dollar's performance has been quite uneven (see Chart 3). The dollar currently stands 15% higher against the Japanese yen and 41% higher against the German mark than at the time the Reagan Administration took office. Since its peak in 1982 the dollar has weakened 14% against the yen. But it has risen 2% against the Canadian currency during the past twelve months, and has climbed an average 21% against European currencies. Plainly, dollar strength is not uniform, but partly mirrors the special problems afflicting some European nations.

Adjusted for inflation, the dollar has risen 30% against the yen, and 27% against other currencies since the beginning of 1981. This should not be interpreted as the degree of dollar overvaluation at present. During the 1970s the dollar was unnaturally depressed by the policy errors and poor performance of the period. It is more relevant to observe that the dollar currently stands in real terms about 17% above its average in the first three years of this decade.

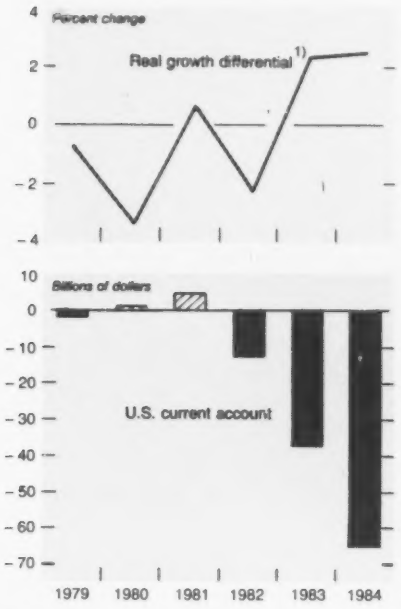
Dollar strength has been one factor swelling the U.S. trade deficit. But economists are by no means unanimous that appreciation is the preponderant cause. It probably is the prime explanation for the losses U.S. exporters have suffered in world market share since 1981, but such nonprice factors as ill-judged trade embargoes also have taken a toll on U.S. exports.

The trade deficit owes much to income factors. U.S. expansion is leading recovery of world economic activity, opening up a sizable real growth differential between the United States and its trade partners (see Chart 4). In 1983 U.S. real GNP growth of 3.3% was about matched in Japan and Canada, but far surpassed the 0.7% growth in Europe. In much of the developing world growth was negative. The growth disparities are closely mirrored in the trade statistics. While the U.S. deficits with Japan and Canada did not widen greatly in 1983, the normal U.S. surplus with Western Europe practically disappeared. Whereas U.S. exports to Japan and Canada in recent months have equaled or bettered 1981 levels, the weakness of European markets holds U.S. shipments to the area of 15% or so below their level three years ago. On present thinking, the growth gap will narrow later in 1984 but may persist for years to come unless European recovery proves unexpectedly vigorous or the U.S. economy seriously weakens.

U.S. trade also has been gravely undermined by the Latin American and East European debt crises. Financial problems have obliged most Latin American countries to slash their imports far below the levels of 1981 when credit still was plentiful. Along with European and Japanese exporters, the United States has seen its sales to Latin America tumble 40% and more. The United

Chart 4

Real growth differential and the U.S. current account



1) Percent change in ratio of U.S. real GNP to the export-weighted average of trading partners' real GNP

States has sustained the major setback to its overall export performance, to the tune of $20 billion per annum.

In sum, the U.S. trade deficit has three principal sources: dollar strength; the "locomotive" role of the U.S. economy in world recovery; and the credit problems that have sapped Latin America's ability to import. In time, the growth differentials among OECD countries should lessen and third world financial pressures ease. Both developments will benefit U.S. trade, but the impact of dollar strength and impaired price competitiveness, if continued, could offset that benefit.

Should we be concerned about the trade deficit and, if so, what should be done? The deficit has both positive and negative features. At home the trade deficit and dollar strength are evidence of vigorous foreign competition in the domestic market, contributing in no small way to the success in curbing U.S. inflation. Quality imports at attractive prices are a real boon for the U.S. consumer and keep up the pressure on domestic industries to raise productivity and restrain cost increases as the cyclical expansion continues. Moreover, import competition is one channel through which structurally weak industries are pared back, an essential process in the natural long-term evolution of the U.S. economy. Whereas the 1970s' climate of a weak dollar and relaxed competitiveness tended to postpone needed structural change, this decade's strong currency accelerates transition.

For the rest of the world, the U.S. trade deficit provides a much-needed tonic. The shift in U.S. net exports since 1981 adds ½% to aggregate demand for rest-of-world output. This external stimulus supports a major fraction of the modest overall growth that Europe is experiencing, and is especially welcome to governments that are reluctant to provide domestic stimulus. Similarly, growing earnings from exports to the United States help shift developing countries from overdependence on foreign borrowing to a more healthy export-based approach to development.

Nonetheless, the trade deficit and inordinate dollar strength cause worry. The decline in net exports since 1981 is close to 2% of U.S. GNP. Some say continued decline threatens expansion of U.S. output and employment. The allegation is misleading, because the trade deficit is partly a result of fast economic growth, not an obstacle to it. The composition of employment, however, is affected. The decline in U.S. exports has cost about one million jobs in the export sector. Similarly, rising imports to some degree displace jobs from import-competing firms, although to what extent is difficult to judge in a period of general expansion. U.S. job creation is occurring disproportionately in service and other industries not directly exposed to foreign competition, while manufacturing takes the heat.

Up to a point this reallocation of employment would have to occur in the years ahead, but in the short term there are adjustment problems. When too many industries complain of severe foreign competition, the political process may not respond in a damage-minimizing way. Industries with political clout win protection, yet are not necessarily those that have the best fundamental prospects. Consumers are obliged to pay enormous costs for the protection of the favored few. Firms that fail to gain protection are penalized by the added currency appreciation that import barriers inspire: for example, the yen would be distinctly stronger today were it not for the restraints on Japanese exports demanded or imposed by

the United States and Europe.

Protection is rarely a constructive way to meet foreign competition. A new strategy is needed to lessen the social costs and maximize the economic benefits of adjustment to competition in the world marketplace. To this end, there is a developing consensus in the President's Commission on Industrial Competitiveness that the United States must greatly improve the educational system and opportunities for its citizens, encourage investment in research and development, strengthen the access of new business to low-cost capital, and lessen administrative impediments to exports.

Such efforts to promote flexibility and productivity in the U.S. economy are obviously desirable, but they should not be relied upon to undo the damage wrought by an overly strong dollar. And the dollar is too strong for the long-term health of the U.S. economy — not by as much as the 25%-30% so vocally asserted by some, but too strong by maybe 10%-15%.

While large current account deficits are constructive at the present time, their perpetuation would be debilitating. There are signs of structural deterioration in the composition of the deficit. Global farm surpluses and trade barriers dampen the outlook for U.S. agricultural exports. Although improved energy policies have won the United States considerable independence of foreign oil, petroleum imports may rise $6 billion, or 12%, this year — for cyclical reasons and perhaps too on a sustained basis as domestic production shrinks. Also, investment earnings are undermined as successive current account deficits gradually reverse the United States' remaining net creditor position vis-à-vis foreign countries. Since these areas of strength in the U.S. current account are in some question, it is important that the dollar not stay so high that domestic industry loses all hope of rebuilding competitiveness.

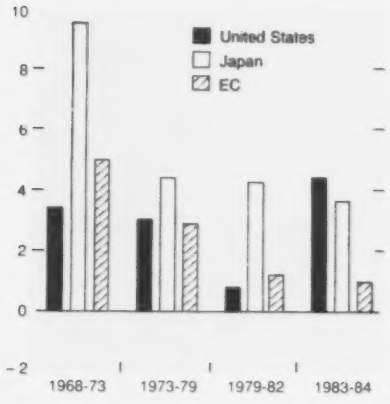
Thus, the challenge will be to achieve an orderly moderation of exchange market preferences for the dollar. The bidding-up of the dollar in exchange markets has numerous causes. Portfolio holders' asset preferences, which are the main determinants of currency values, are rarely based on any single, long-term consideration but rather on ever-shifting hopes, fears, and assumptions. The dollar has been driven up in the 1980s by high returns on dollar investments, by confidence in the underlying prospects for the U.S. economy, and by safe-haven motives that reflect lack of confidence in prospects elsewhere. Market assessments could shift abruptly if confidence in U.S. political leadership and economic management were to sag. In that event the dollar could turn sharply lower, and what is widely held to be serious overshooting today could become disruptive undershooting tomorrow.

There still are some who imagine that exchange rates can be induced to accord with policymakers' preferences through market intervention, the introduction of "target zones," and official pronouncements on rate objectives. Experience argues, however, that such approaches have little lasting effect. Nor does manipulation of currencies through exchange controls hold greater promise: markets today are too far developed to be readily stymied. Only basic policy changes achieve concrete and durable results. For twenty years such cosmetic gestures as interest equalization taxes, voluntary credit restraints, Roosa bonds, and the proposal for an IMF reserve substitution account proved ineffectual in coping with dollar malaise. Not until the new policy priorities of the 1980s did dollar

Chart 5

Real GDP growth

average annual growth in percent



strength return.

The best contribution the United States can make to curb excessive dollar strength would be through lower interest rates. These may emerge as the pace of U.S. economic expansion moderates. While one cannot be sure how far the dollar would then come down, it seems unlikely that the dollar would weaken very much if interest rates climb anew. Whether the Federal Reserve's money supply objectives are unduly restrictive can be debated. But it is widely believed that the Fed has only modest leeway to ease policy in the face of high budget deficits. Moreover, the budget deficit is itself a principal cause of the trade deficit: the aggregate domestic savings deficiency of the U.S. public and private sectors has to be financed by net capital inflows from abroad, which imply a parallel deficit on trade in goods and services.

Renewed confidence and stronger growth abroad are equally vital if the dollar is to come down. Lower U.S. interest rates would ease the financial strains on developing countries, would encourage European governments to ease their own policies, and would lessen their widespread defeatism about unemployment. As yet, the modest and uneven recovery of output in Europe has done little to bolster confidence. Perhaps the evidence will grow more persuasive as 1984 unfolds. For now, however, it is understandable that currency markets remain skeptical.

European problems

The sense of European malaise highlighted in the weakness of European currencies can be traced to three interrelated problems. First is Europe's fragile economic recovery and limited prospects for medium-term growth. Second is high and persistent unemployment. Finally, there is political drift in Europe concerning the future of both the Common Market and the North Atlantic alliance.

European recovery has been weak by comparison not only with the rapid U.S. recovery but also with Europe's own previous experience (see Chart 5). Industrial production in the major four European economies remains below its end-1979 peak. Real GDP in the major four rose rather less than 1% in 1983 — 1.2% in Germany, 2.5% in the United Kingdom, but not at all in France and Italy.

Growth should remain modest this year. Real GDP should advance about 2.5% in Germany and Britain. France and Italy will head out of recession by year-end but show little expansion for the year as a whole. For 1985 and 1986, Europe's real growth is expected to average 2% — very weak for the expansionary phase of an economic recovery. Following the first oil shock recession, growth was 4.7% in 1976 and 2.5% in 1977. Previously Europe's growth had averaged 5% annually from 1968 through 1973.

Europe's economic stagnation since 1979, together with rapid labor force growth, has doubled the unemployment rate. For the Common Market as a whole this is now about 10.5% of the labor force. In some of the smaller countries, such as the Netherlands and Belgium, it is over 15%. Europe's unemployment is unlikely to be reduced significantly in the next few years since projected output growth barely exceeds expected increases in productivity. Even in Britain, where GDP recovery began in 1981 and to date has been the strongest of the major countries, unemployment still is not clearly declining — although it may have leveled off at just over 12%. Germany's unemployment rate was 9.5% this past December (not

Chart 6

Investment shares in GDP

gross fixed capital formation as a % of GDP

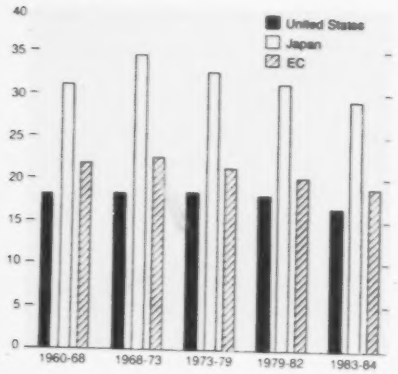
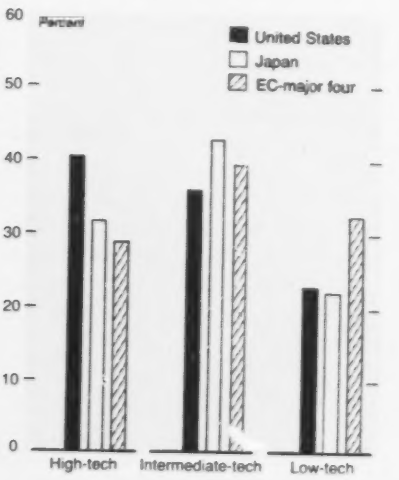


Chart 7

Technological intensity of exports

manufactures exports by technological class



Source: General Confederation of Italian Industry

seasonally adjusted), a half point higher than a year earlier despite the growth in domestic output.

Political problems also have contributed to Europe's loss of confidence. There is latent fear of neutralism in some countries. The drive for European integration has stalled, and no movement to strengthen European institutions can be seen. Indeed, the Common Market has become a vehicle for internal and external protectionism.

The failure of the European Community's December summit to settle budget issues, to reform the Common Agricultural Policy, or to set a timetable for Spanish and Portuguese entry dramatizes the problems. Economic growth once provided relatively painless and constructive solutions to structural problems, but now the negativism brought on by rising joblessness drives countries to push narrow national interests and protectionism. The great bulk of the Community's efforts and resources are being squandered to shore up agriculture, steel, and other politically sensitive sectors. Little is being invested to make these sectors and the labor force adapt to new competitive realities.

The decline in spending for investment and its diminishing productivity are a fundamental reason behind Europe's discouraging outlook. As a percentage of GDP, investment has declined since the oil-price increase of 1973 to a level well below that typical of the 1960s (see Chart 6). The decline is particularly sharp in Germany. By contrast, the United States has experienced virtually no decline, while the falloff in Japan since 1973 still leaves its investment share the greatest among the major industrial countries.

Furthermore, Europe has not faced up to the challenge of the technological revolution in electronics and biogenetic engineering. Both Japan and the United States have established a strong presence in these high-technology "sunrise" sectors (see Chart 7). In the early days of the Common Market, attracted by its vast market potential, U.S. private direct investment in Europe increased sharply and brought great technological benefits. Now U.S. investment interest has turned elsewhere, while European capital increasingly flows abroad.

Private investment in Europe has been discouraged by the growth of the public sector. The quest for social equality and pervasive welfare states have led to rapid increases in government spending. For the Common Market as a whole, total government spending rose from 33% of GDP in 1961 to 39% in 1971, then exploded to 50% in 1981. The spending was financed partly through higher taxes, which deter private initiative, and otherwise by public-sector deficits that absorb private savings and help raise interest rates.

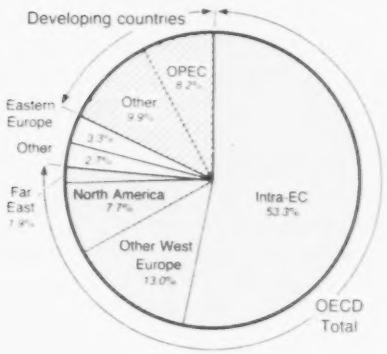
Private investment incentives have been impaired by the decline in European business profitability and, in many countries, by various regulatory and legislative measures to curtail the role of private enterprise. High real wages and crippling nonwage costs have aggravated the decline in profitability, helping also to explain the rise in European unemployment and absence of employment growth.

Stagnation in export markets, both within Europe and outside, contributes to Europe's weak short-term growth prospects. European exports to OPEC and debt-burdened developing countries have declined. While exports to the United States and Canada have increased in response to European currency depreciation and fast North American recovery, alone they are not enough to give European economies a ma-

Chart 8

European Community export trade shares

data for Jan.-June 1983, at annual rate



jor boost. In terms of aggregate demand, the weakness of intra-EC trade is a much more important factor, since more than half of all EC exports go to other EC countries (see Chart 8). In the first half of 1983, intra-EC exports were down 3.6% in dollar terms from a year earlier, implying at best a very modest increase in volume terms.

What can Europe do to improve its growth prospects? Three main recommendations can be advanced. First, competition in European markets must be increased, both between European firms and with non-European producers. Narrow national interests, procurement policies, and capital market rigidities handicap high technology in Europe, and the EC does not yet offer a true common market in services and communications. Increased integration of European national markets in these areas will help boost growth and productivity. After all, U.S. advances in technology would not have been possible if the fifty states had prescribed incompatible standards or insisted on home procurement.

Contrary to the assumption of many European policymakers, tariff barriers and protectionism — whether toward the outside world or among member states of the Community — are unlikely to promote technologically advanced industries that can compete in world markets.

The second imperative is to encourage private enterprise, boost profitability, and raise private investment. Lower real wages and other nonwage costs are crucial to these ends. Moreover, the higher growth that increased business investment and lower real wages would promote is more likely to succeed in reducing unemployment than the current European strategies of lowering the retirement age, reducing work weeks, and increasing job sharing.

The third recommendation is for "supply-side" tax cuts. By releasing resources to the private sector, current policies emphasizing deficit reduction and public-spending curbs will eventually contribute to higher growth, even though they restrain growth in the near-term. The drive to curb public spending must be complemented by supply-side tax cuts that boost profitability and encourage investment. Reduction of budget deficits through tax increases, rather than by spending cuts, can be counterproductive for investment if capacity utilization remains low — as the British case makes clear.

The priorities identified here are difficult and painful for many Europeans to contemplate, let alone implement. It is encouraging, however, that the logic is increasingly recognized. Principally in the United Kingdom — but to a growing extent also in Germany, the Low Countries, and Denmark — there now is real commitment to cutting back government and increasing profitability in private enterprise. Even in France, the importance of raising investment is better understood. Progress is slow everywhere. For example, Britain's much heralded "privatization" moves have been marginal to date and there is continuing ambivalence about how far competition is to be encouraged in practice. Thus, Europe has far to go in internal reforms. In the long run, however, they will be far more fruitful than diversionary criticism of the United States. The economic health of Europe is no mere function of U.S. macroeconomic policies.

LDC debts

By now, more than 30 developing and Eastern-bloc countries are in arrears or have sought renegotia-

tion of their external debts. Others are grappling with reduced international lending, cutbacks in short-term credits, and stiffer borrowing terms. The debt crisis is particularly acute in Latin America, which owes about 60% of all LDC debt extended by commercial banks.

When Mexico and Argentina ran into difficulties in mid-1982, the banking community initially approached their problems as a short-term liquidity matter. As the crisis spread to other countries, more basic worries surfaced. Many blamed external factors, such as the world recession and higher interest rates. More recently, the longer-term, fundamental issues in LDC finance and development strategy have come to the fore.

The crisis was precipitated by the abrupt realization that external borrowing by several major developing countries far exceeded their ability to service debts out of actual or prospective exports. A proper relationship must evidently be reestablished between external debt and debt-servicing capacity. For several of the key borrowing countries, restoring creditworthiness and regular access to credit markets may take the remainder of this decade.

Tackling the LDC debt problem requires a dispassionate, realistic assessment of its underlying causes. External events clearly played a major role — particularly the industrial world's radical shift after the second oil shock from inflation to disinflation. High U.S. interest rates and dollar strength drove up debt-servicing costs, while industrial-country recession and sharp reductions in commodity prices slowed LDC export earnings. For 21 principal LDC borrowers, about two-thirds of external debt is at floating interest rates and nearly 80% is dollar-denominated. Their interest payments more than doubled after 1979, from 10% of exports to over 20% in 1982. They climbed to 50% for Argentina and nearly 45% for Brazil. Over the same period, debt/export ratios for the 21 LDCs rose from 130% to 200%. For the major Latin American countries, other than Venezuela and Colombia, debt/export ratios climbed far above the 200% level that has often preceded debt-servicing problems — for Argentina and Brazil, even beyond 350%.

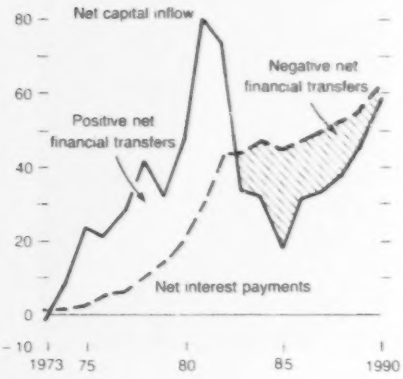
Domestic policies in the LDCs also played a critical role. Some countries — especially those in East Asia — successfully coped with external shocks because their policies promoted timely internal and external adjustment, as is manifest in relatively low inflation rates and small current account deficits.

Others responded more slowly. Import-substitution development strategies in Latin America hindered the export sector, leaving the share of exports in GNP far below that of other LDCs. Overblown government and rapid growth of state enterprises diverted resources from the private sector and exports. Overvalued exchange rates, artificially low interest rates, and political uncertainties triggered massive capital flight from the region — over $60 billion from 1979 through 1982. From Venezuela, unrecorded capital outflows accounted for all of the country's external debt buildup; for Argentina and Mexico, they were as large as cumulative current account deficits.

A third factor in the debt problem was the relative ease with which LDCs were able to obtain financing from commercial banks. From the mid-1970s until 1982, bank lending to the LDCs expanded at an average annual rate of over 20%. In 1980-1981 bank claims on Mexico and Argentina increased 40% per annum. Much took the form of short-term credits far in excess of normal trade financing. The willingness of banks to continue lending rapidly,

Chart 9

Net financial transfers for 21 major LDCs
in billions of dollars



without recognizing increasingly deteriorating circumstances and warning flashes, is a clear example of overshooting in financial markets — compounded by the failure of governments, international institutions, and commercial banks to assess properly LDC debt-servicing capacity.

Coping with the international debt crisis has required extraordinary efforts. On the whole, the track record over the past year has been rather good. Among the most positive developments have been the more favorable external environment bred by the declines in U.S. interest rates since mid-1982, the subsequent U.S. economic recovery, and a partial rebound of LDC commodity prices.

LDC external adjustment also has exceeded expectations. The seven major Latin American borrowers ran up a combined trade surplus of about $30 billion in 1983, compared with a virtually balanced trade account in the six years before 1982. The improvement, however, has come about largely through cuts in merchandise imports — exclusively so in Argentina and Peru. In 1983, the seven countries held their imports 42% below 1981 levels. Most are benefiting from both IMF credit and Fund advice on domestic reforms that should lay the basis for renewed economic growth.

The banks have been impressed by the IMF's expanded involvement and, for their part, have rescheduled maturing obligations and provided new money. To all LDCs the increase in bank exposure during 1983 was $15-$20 billion, somewhat less than hoped for. A welcome development in the latest Mexican renegotiation was the willingness of banks to reduce spreads and fees to take account of the country's remarkable adjustment achievements. Moreover, the resilience of the international financial system is being buttressed by the steps banks are taking to strengthen their capitalization.

Thus, a strategy has evolved that is on course, that enjoys widespread commitment, and that entails an acceptable sharing of burdens among the interested parties. Nevertheless, there are potholes in the road ahead.

One concerns the continued need for the LDCs to sustain large trade surpluses in order to service their external debt. Throughout most of the post-World War II period, the LDCs were able to accelerate their development by supplementing domestic inputs with foreign resources. Net capital inflows exceeded their interest payments on external debt by almost 2½% of GNP in the 1973-1981 period (see Chart 9). For the LDCs as a group, external financing underwrote about one percentage point of their 5% annual average growth.

Currently, by contrast, many LDCs — particularly those in Latin America — face the opposite situation. Interest payments on their external debt exceed net capital inflows, so that they are making net financial transfers to creditors. Such transfers slow the rate of LDC debt accumulation. However, in the absence of ready opportunities to expand exports, the radical contraction of imports required in Latin America has been disruptive of economic growth and long-term development. For some countries, reductions in living standards rival those of the 1930s and, if prolonged, pose significant political and social risks.

The debt crisis has spawned many suggestions to improve LDC financing techniques — for example, by increased use of currencies other than the dollar for LDC borrowing.* Financing innovations, however, offer no panacea.

Over the long run, the only viable solution for Latin America lies in

*Compared with borrowing solely in dollars, diversified currency borrowing may lower interest costs and hedge exchange risks. If the non-oil LDCs had diversified their new and maturing bank debt between 1979 and 1982 they might have saved over $30 billion, according to a recent New York Federal Reserve Bank study. During that time yen, mark, and Swiss franc interest rates were well below dollar rates and most currencies depreciated sharply in dollar terms. Looking ahead, there are obvious cash flow benefits to the servicing of debts contracted in low interest rate currencies. Still, the savings from diversification are marginal unless the dollar appreciates substantially further. By contrast, if the dollar weakens, as is implicit in forward exchange rate relationships, the potential savings in debt-service costs are quickly eroded. In fact, diversified borrowing would prove a costly alternative for LDCs in the event that the dollar falls sharply.

Table 1

LDC borrowing

billions of dollars
1981 estimated; 1984-1990 projected

	1981	1984	1986	1990
Major 21 borrowers				
Gross borrowing	215.9	195.1	241.2	354.3
Amortization	38.2	31.1	49.5	88.7
*Short-term rollover**	97.9	123.2	142.4	183.7
*New money***	79.7	40.8	49.3	81.9
Argentina				
Gross borrowing	22.3	13.0	15.9	16.1
Amortization	3.5	2.7	5.3	6.5
*Short-term rollover**	10.3	8.3	8.7	9.6
*New money***	8.5	2.5	1.9	0
Brazil				
Gross borrowing	30.7	20.3	28.8	37.7
Amortization	7.5	1.6	11.6	17.8
*Short-term rollover**	12.9	10.5	11.8	15.9
*New money***	10.3	8.2	5.4	4.0
Mexico				
Gross borrowing	45.5	30.0	34.7	53.6
Amortization	6.4	3.5	11.5	28.6
*Short-term rollover**	12.7	22.8	19.9	18.6
*New money***	26.4	3.7	3.3	6.4

*Rollover of debt carrying under one-year original maturity.

**Increase in gross debt outstanding to all creditors.

expanding exports so that debt-servicing capabilities are enhanced, flight capital returns, and economic growth is restored. This will require a reordering of priorities away from import substitution toward more active export orientation. It also implies reassessment of the development role of the state in order that resources be freed for the private sector and exports. Clearly, if such a strategy is to make sense, the United States and other industrial countries must provide reasonable assurances of market access for their goods and services.

Even if policymakers in Latin America can be convinced of its merits, an export-led strategy will still take considerable time to bear fruit. In the meantime, the transfer burden on key Latin American borrowers can usefully be eased through lower interest payments. This could take a variety of forms — ideally through lower U.S. interest rates, but also through lower bank fees and spreads for countries that successfully implement IMF programs, or even by interest capitalization.

The benefits of stronger export orientation and reduced interest costs can be remarkable, even for the most debt-burdened of LDCs. Brazil now labors under a crushing 350% debt/export ratio and has an export/GNP ratio around 10%. Suppose that Brazil, outdoing present expectations, implements policies that by the end of the decade achieve an additional 2-percentage-point increase in the export share of its GNP. At the same time, suppose the country enjoys a decrease of 200 basis points in the effective interest rate on its foreign debt and attracts an extra $1 billion each year in foreign direct investment. Rough calculations show that Brazil could then boost its overall rate of economic growth by an additional 2% per annum over the remainder of the decade. More, Brazil's debt-service burden, as measured by its net financial transfers over the period, would be lessened and the country's debt/export ratio could be back below the critical 200% level before 1990, considerably earlier than many now expect.

Thus, far from being in contradiction, the restoration of economic growth and creditworthiness can go hand in hand. Still, renewed creditworthiness may not bring a speedy end to the present phase of involuntary lending by creditors to certain LDCs. Even after debt/export ratios have been worked down to more normal levels and the borrowers' needs for *new* money are substantially diminished, *gross* financing needs will remain daunting.

Table 1 estimates that in 1984 the 21 principal LDC borrowers will be seeking new credit on the order of $41 billion. This would be barely half the pace of three years ago, giving testimony to their adjustment achievement. But their $150 billion need for refinancing, to roll over short-term credits and cover long-term amortization, has not materially lessened through the restructuring efforts to date. Little has been done to lengthen short-term maturities. Amortization payments by the 21 will double over the next two years, partly because grace periods on some rescheduled debts will be expiring. Mexico faces especially heavy amortization in the second half of the decade.

The sheer volume of gross financing needs is a major obstacle to the resumption of voluntary lending in the years ahead, at least to the principal Latin American debtors. There will be little practical alternative to virtually continuous renegotiations among lenders and borrowers in order to stretch out maturities on a realistic basis. If the disproportionate weight of refinancing is to be lessened, there will have to be

particular emphasis on the funding of excessive short-term credits. Keeping such negotiations on track will demand steadfast commitment by all the parties, spearheaded by the continuing active involvement and leadership of the IMF and with the growing participation of the World Bank.

U.S. initiatives

In the immediate aftermath of World War II, the United States, in contrast to its prewar isolation, displayed historic leadership by launching and supporting reconstruction in Japan and Europe and by promoting third-world development. Such initiatives as the Marshall Plan, GATT, and the Bretton Woods Institutions will long be remembered as crucial in reviving confidence abroad and in providing mechanisms for trade and payments liberalization. They laid the foundation for twenty-five years of remarkable economic progress in the free world.

That postwar posture on the part of the United States was not, of course, purely altruistic. The nation understood the political and strategic necessity of fostering economic advance abroad if prosperity were to be assured at home.

There are parallels today. The United States — joined, to some extent, by Japan — is enjoying impressive economic expansion and a super-strong currency; it is preeminent in world technology. Europe, by contrast, seems resigned to feeble economic growth and massive unemployment; it is falling farther behind in technology; and lacks firm direction as the extraordinary weakness of European currencies attests.

The current drift in the Common Market, indeed its retrogression, should be a matter of grave concern. The arguments that led the United States to support and nurture the EC still stand. Similarly, at a time when Latin America is moving toward more democratic institutions, the United States, in its own self-interest, should support such liberalization by promoting economic growth and development in the region. Thus it is once again time for the United States to display global vision, reassert its leadership, and sponsor initiatives that build confidence worldwide.

The most urgent need is for the United States to take steps to reduce interest rates, or at least alleviate the risk of a rate upturn. The world cannot afford higher interest rates. Reduction would benefit everyone.

Although fiscal stimulus was instrumental in triggering the U.S. economic turnaround, it is vital as recovery becomes well established that the private sector, and investment in particular, becomes the main engine of domestic growth. This can best be assured by reining in government spending and lowering its demands on credit markets. Political realities appear to dictate that decisive action is very difficult in an election year. Still, the Administration and the Congress should not relax efforts to secure at least a down payment against the deficit. The appointment of a bipartisan Presidential Commission also could be a useful step toward consensus on budget policy, provided this leads to prompt and tough action following the election.

Spending cuts should remain the major emphasis. Any tax increases should not detract from the valuable supply-side accomplishments of the original Reagan program, and should therefore bear more on consumption than on savings and investment. Increased energy taxes are a prime area for action. They would narrow the trade gap, and by helping keep world oil prices down,